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NATIONAL POLICY AND ISSUES

JINGJI YANJIU VIEWS REPRODUCTION, ECONOMIC RESULTS

HK261310 Beijing JINGJI YANJIU in Chinese No 7, 20 Jul 83 pp 38-44

[Article by Xu Bainian [6079 2672 1628] of the Economic Research Office of the China Academy of Social Sciences: "On the Type of Reproduction and Enhancing Economic Results"--"initial draft written December 1982; revised January 1982"]

[Text] The correct differentiation between and selection of the types of socialist reproduction is one of the key links in bringing the whole of economic work onto a path centered around the enhancement of economic results. In this article, I shall attempt some initial investigation into this question, and hope that comrades will criticize and comment.

I

Marx first divided the process of socialist reproduction into simple and expanded reproduction. Simple reproduction is that reproduction whose scale remains unchanged, while expanded reproduction is reproduction on an expanded scale. But it is by no means easy to make a clear division between the two.

In the aspect of investment, if there is no accumulation, and investment is not added to, then it could be said that the scale remains unchanged; with accumulation and increased investment, the scale can be said to expand. As regards production, if the value or use value of products does not change, then the scale can be said to remain the same; if there is some increase in the value or use value of products, then we can say that the scale has expanded. The complexity of the question lies in the fact that the amounts of capital, product value and product use value by no means always change in the same direction and in the same proportions.

First, under normal conditions, expanded reproduction requires accumulation and increased investment, but without either of these, you cannot say that there is absolutely no way of achieving expanded reproduction. Marx said: "With a certain amount of capital, but no accumulation, it is still possible to expand the production scale within certain limits."¹ Though accumulation is the basic and major source of expanded reproduction, it is by no means the only one. It is therefore not appropriate to differentiate between simple and expanded reproduction solely on the basis of the presence or absence of accumulation and increased investment.

Second, because of the dual nature of commodity-producing labor, under conditions in which labor productivity undergoes change, the value and use value of products will undergo change in the opposite direction. If the value changes, the use value may not change, and vice versa. For this reason, it is also inappropriate to differentiate between simple and expanded reproduction according to value or use value.

All of this would seem to indicate that the dividing line between simple and expanded reproduction is difficult to ascertain. This is not, in fact, the case. On the one hand, this dividing line is determined by the specific target which we have to investigate. For instance, when we are investigating the speed of growth of the production of the whole of society or of one particular department, we usually take use value as an appropriate way of drawing the dividing line between simple and expanded reproduction; when investigating how to make the transition from simple to expanded reproduction, we take product value as an appropriate way of differentiating between the two; when we are looking into expanded reproduction under capitalist production relations, we take the category of capital as the theoretical manifestation of the quantity and quality of these relations, and therefore take the amount of capital as the proper dividing line between simple and expanded reproduction.² When we examine reproduction under the premise of an assumed form of production and a constant level of productivity, then the amount of capital, use value, and value can all be seen as appropriate ways of drawing the dividing line between simple and expanded reproduction. For this reason, Marx used all of these dividing lines in "Das Kapital," but they each had a particular relative quality, so they were used in specific areas of research.

On the other hand, the dividing line between simple and expanded reproduction depends on the direct aim of production under a certain social form. Marx said: "The reproduction of capital must be the production of surplus value."³ Using the increase or otherwise of surplus value as the indication of whether the scale of capitalist production is expanded or not enables us to bring to full light the basic nature of capitalist production, which is "to use the minimum possible capital to produce the maximum possible surplus value or surplus product."⁴ If we leave aside dishonest behavior, such as deducting wages and so on, then the tendency of change in the amount of surplus value can reflect the tendency of change in the amount of use value and in the amount of material national income. This remains the case even under conditions of advances in production technology. Surplus value is still the source of capital accumulation. "If we assume that surplus value is defined as a ratio between capital and income, then the amount of capital accumulated obviously depends on the absolute amount of surplus value."⁵ Therefore, if accumulation is to be increased, surplus value must also be increased. All of this is sufficient to show that the use of the increase or otherwise of surplus value as a way of drawing the dividing line between simple and expanded reproduction is universally and absolutely applicable in the analysis of capitalist reproduction. Marx said: "Accumulation or production on an expanded scale means the constant expansion of surplus value."⁶ He also pointed out that even if the amount of capital paid in advance does not change, the scale of production can "expand along with the raising of the annual rate of surplus value created by shortening the period of reproduction," because "when the surplus value rate is fixed, the

absolute amount of surplus value produced within a turnover period will increase as this is raised."⁷ It would seem that we can say that in these parts of "Das Kapital," Marx in fact saw the increase or decrease of surplus value as having the same implications as the scale of production.

This method of differentiation used by Marx has similar important significance to socialist reproduction. Under socialist conditions, on certain specific conditions and questions, we can also use the amount of funds, or the use value of products, or the value of products, as the way of making particular, relative divisions between simple and expanded reproduction. In this aspect, there are no differences of opinion in economic circles. The point of controversy lies in how to decide on a universal, absolute dividing line between socialist simple and expanded reproduction.

The basic aim of socialist production and construction is the satisfaction of the ever-increasing material and cultural needs of the people. This fundamental aim is realized through the constant increase of surplus products. Surplus products and their relative quantity, that is, their proportion to the total social product, or the profit rate, represents the overall manifestation of socialist production efficiency and economic results. Therefore, in my opinion, the universal, absolute dividing line between socialist simple and expanded reproduction should be the quantity of surplus products. Wherever there is no change in the amount of surplus products, this is simple reproduction; and where there is some increase in surplus products, this is expanded reproduction.

Comrade Sun Yefang considered that the only dividing line between socialist simple and expanded reproduction was whether there was accumulation and increased investment.⁸ I have a different viewpoint on this. First, as stated above, Marx by no means saw accumulation and increased investment as the only source of expanded reproduction, and was never of the opinion that the presence or absence of accumulation and increased investment was the only dividing line between simple and expanded reproduction.

If we take the presence or absence of accumulation and increased investment as the sole dividing line between simple and expanded reproduction, it will be easy to give people a misunderstanding, that is, that in order to have expanded reproduction you must increase investment, such that they will ignore the tapping of the potential of existing production factors, and will fail to work hard to improve productivity and economic results. Second, due to policy mistakes and the great disorder of the "Cultural Revolution," in certain years since the founding of the country, though there was accumulation and increased investment, total agricultural and industrial output, the national income, and surplus products continued to fall for 2 or 3 years in succession. Under these conditions, how can we affirm that there was expanded reproduction in these years purely because there was accumulation and increased investment? Strictly speaking, this sort of reproduction could only be "incomplete, flawed reproduction," "to the extent that compared with previous years, there was not even simple reproduction."⁹

Comrade Liu Guoguang has proposed another dividing line. In his opinion, the dividing line between socialist simple and expanded reproduction should be the amount of use value.¹⁰ I also have difficulty in being convinced by this viewpoint. Socialist production indeed attaches important status to use value of a certain quality which is able to satisfy the people's needs. However, at any time, an increase in the amount of use value only has real significance when examined in comparison to the funds paid in advance to create it. Marx put it well when he said: "The extent of wealth is not estimated on the absolute amount of products, but on the relative amount of surplus products."¹¹ Involved here is also a question of productivity and economic results. Before the 3d Plenary Session of the 11th CPC Central Committee, the agricultural costs of some rural commune brigades increased at a speed higher than that of the increase in agricultural products, with the result that though the absolute number of agricultural products increased, the relative amount of surplus products decreased, so that the collective could not accumulate anything, the masses could not increase their income, and ultimately even simple reproduction was difficult to maintain. This situation also prevailed in industry. Practical experience has shown that if we take the increase or otherwise in use value as the only universal and absolute dividing line between socialist simple and expanded reproduction, it is easy to make people overlook productivity and economic results, and create huge wastage of social labor.

Marx not only divided reproduction into simple and expanded reproduction, but also divided expanded reproduction into extensive and intensive expanded reproduction.

Marx considered that each essential factor going into production involved a question of playing an extensive or an intensive role. All expanded reproduction which is carried out through increasing the amount of a certain production factor or extending the length of its use is extensive expanded reproduction, while all expanded reproduction carried out through improving the use efficiency of a certain production factor or increasing the intensity of its use is intensive expanded reproduction. However, in the real process of production, while one factor is playing an intensive role, another factor can at the same time be playing an extensive role. For example, looking at the factor of labor, increasing its intensity must be counted as intensive expansion, but all other things being equal, once labor intensive expansion, but all other things being equal, once labor intensity is increased there must be more consumption of the means of production, and therefore, from the point of view of material factors, this becomes extensive expanded reproduction. In this way, it is necessary to find an overall, integrated dividing line to judge between the two different types of expanded reproduction.

Marx said: "The gradual expansion of production comes about as a result of two things: First, the constant increase of capital being invested in production; and second, the constant improvement in the efficiency with which this capital is utilized."¹² This touches not on the various factors of production or one part of the capital, but on all production factors or all production capital. Therefore, the analysis made by Marx should become the basis on which we draw a distinction between the two types of expanded reproduction. What is brought about for the first reason is extensive expanded reproduction, while what is brought about for the second reason is intensive expanded reproduction.

What is meant by the so-called "constant increase in capital invested in production?" Marx has an explanation for this. He said: "When we examine reproduction, we first assume an unchanging form of production, while when production expands, the form of production will be maintained for a certain period of time, and will not be changed. The reason why the amount of products produced here will increase is that more capital is used, not because capital is used more efficiently."¹³ Under conditions in which the form of production remains unchanged, the structure of capital stays the same, and therefore, if we are to increase production and capital, we must increase constant capital in proportion with variable capital. In other words, all other things being equal, the characteristic of extensive expanded reproduction is that the proportions between C, V, and M [expansion unknown] in unit products do not change, which also means that productivity does not change either, and therefore the increase in surplus value or surplus products comes as a result of a corresponding increase in constant capital (the value of the means of production) and variable capital (the part of labor which is paid for).

What is meant by the so-called "constant increase in the efficiency with which capital is utilized?" Marx also had an explanation for this. He said that this meant "a qualitative manifestation of greater efficiency in reproduction conditions. Therefore, the proportionate increase in the quantity of products must be greater than the proportionate increase in expanded reproduction and accumulation."¹⁴ In "Das Kapital," the word "accumulation" has two implications: one is the capitalization of surplus value, while the other is a synonym for expanded reproduction. Here, the capital put into production increases¹⁵, but the speed with which it does so much be lower than that with which products increase in quantity, so that the amount of products from one unit of production capital increases; that is to say, the amount of production capital consumed for each unit product decreased. Starting from this point, it is my opinion that you cannot define the nature of intensive expanded reproduction merely as the enhancement of labor productivity, that is, the saving of living labor; instead, you should summarize it as the enhancement of productivity, that is, the saving of the part of living labor which is paid for, plus material labor.

Many comrades see the expansion or otherwise of the place of production as the basic dividing line between the two types of expanded reproduction. Their main justification lies in the following words of Marx: "If the place of production expands, this is extensive reproduction; if the efficiency of the means of production is raised, then this is intensive expanded reproduction."¹⁷ However, if this statement is taken in context, what is called the expansion of the place of production refers here to the adding of machines of a similar efficiency to the original ones, and therefore at the same time it is necessary to add a proportionate amount of labor power; what is called an increase in the efficiency of the means of production refers here to an increase in productivity through improvement in machinery. Therefore, the essence of the question by no means lies in whether or not the place of production expands but in whether or not productivity is raised. In fact, in the sphere of the whole of society, intensive expanded reproduction inevitably includes an improvement in the use of living and material labor, and also the expansion of production factors and production conditions necessary to ensure this improvement.

Ever since the 1960's, Comrade Liu Guoguang has in many articles proposed the dividing line between extensive and intensive expanded reproduction. He wrote: "When differentiating between the two types of expanded reproduction in the social sphere, the strict definition must be to use the factor of human force as a criterion; whatever production expands through increasing its labor force (rather than through technological transformation) is extensive expanded reproduction, while all production which expands through increasing labor productivity on the basis of technological transformation is intensive expanded reproduction."¹⁸ This view contains a few points worthy of discussion.

First, if technological conditions remain the same, and only the labor force is increased, it is still possible within a limited sphere to bring about an improvement in productivity, and thereby carry out intensive expanded reproduction. In his discussion of coordination, Marx pointed out: "even if the form of labor does not change, but at the same time more workers are employed, it is still possible to bring about a revolution in the material conditions of the labor process."¹⁹ For example, if the number of workers is increased within a certain sphere, they can produce more goods, but the means of production used in common by all of these workers, such as factory buildings, workshops, and certain machines and tools which can be lent and borrowed, will not increase in proportion to their results, and therefore the total amount of labor consumption per unit product can drop along with the decrease in a part of materialized labor. Here, the important thing is to decide on the best proportion between the means of production and the labor force, ensuring that the amount of the means of production can absorb a sufficient amount of labor, and be turned into products through this labor. If there is a surplus of the means of production, then as long as a certain amount of labor force is added, productivity will be raised. Therefore, we cannot exclude the possibility of increasing the labor force under conditions in which the technological conditions remain unchanged, and thereby carrying out intensive expanded reproduction.

Second, technological progress and an improvement in labor productivity by no means necessarily bring about an improvement in productivity under all conditions. Engels said: "From the point of view of capital, the forces of production are raised not when general labor-saving is carried out, but only when the paid part of living labor saved is bigger than the part of labor which was previously added."²⁰ Therefore, technological progress and enhanced labor productivity by no means absolutely signifies that intensive expanded reproduction has been realized. Here, the important thing is to decide upon the economic limits of new technology and new machinery. If the increase in consumption of materialized labor exceeds the amount saved in the paid part of labor, then even if there is some improvement in labor productivity, because of the increase in the total labor consumption per unit product, and the consequent decrease in surplus value or surplus product, productivity will fall. This economic limit on the use of machinery can, in my opinion, be applied to present socialist society. This is because the constant increase in surplus products has important significance to both a state and an enterprise.

In my opinion, it is also incorrect to confuse the development of labor-intensive industries with extensive expanded reproduction or to equate capital- or fund-intensive industries with intensive expanded reproduction.

The difference between labor-intensive and fund-intensive industries lies in the structural capital of their respective production departments. The difference between the two decides to a large extent the material nature of their products. Even if social production has undergone considerable development, and the level of technology has risen considerably, this difference between production departments will continue to exist. Whether we are talking about labor-intensive or fund-intensive industry, both can carry out expanded reproduction through both extensive and intensive forms. When developing labor-intensive industries (for example, the daily consumer-product industry), we must stress the saving of materialized and living labor, the improvement of productivity, and the realization of intensive expanded reproduction. When developing fund-intensive industry (like the modern metallurgical industry), we must in the same way seriously examine its productivity and economic results. Under our country's present conditions, if we overemphasize the development of fund-intensive industries, there is a possibility that we will not be able to achieve intensive expanded reproduction, or an improvement in economic results.

Because the relations between the various facts of production change in different directions, the forms in which social labor is saved and productivity is raised will be correspondingly different. Marx said that capital had two tendencies: one was "to save the maximum possible living labor utilized," and the other was to save the maximum possible amount of materialized labor, and to "shrink the amount of constant capital utilized down to its lowest possible limit."²¹ Leaving aside the particular characteristics of capital and the corresponding particular ways of dealing with it, the improvement of socialist productivity also has these two basic forms. Therefore, we can also split up intensive expanded reproduction into two different categories: The raising of productivity through saving on living labor, or mainly through saving on such labor, is called labor-saving intensive expanded reproduction; while an improvement in productivity brought about wholly or mainly through saving on materialized labor is called fund-saving intensive expanded reproduction. If living and materialized labor are both saved, and saved to the same extent, then this is called intermediate intensive expanded reproduction.

Labor-saving intensive expanded reproduction can be achieved in the following two ways: First, the material consumption of labor (including fixed assets and consumption of raw materials and fuel) does not change, but labor productivity is raised through improving workers' skills, raising labor intensity and improving the organizational forms of production. Second, the material consumption of labor is increased, and labor productivity is raised by increasing the amount of funds and equipment provided for laborers, and improving the material conditions for production.

Fund-saving intensive expanded reproduction may be achieved in the following two ways: First, labor productivity remains unchanged, while funds are saved by saving on the use of the means of production. Second, labor productivity is raised, but the extent of its rise is greater than the extent to which the material consumption of labor is raised, and therefore, more materialized labor than living labor is saved per unit product.

Socialist reproduction is expanded reproduction. But "simple reproduction is a part of all reproduction on an expanded scale, and is the most important part."²² Therefore, the correct handling of the relationship between the two according to the principle of "first simple reproduction, then expanded reproduction," is extremely important to the development of the socialist economy. It is unnecessary here to go into details on this point.

Socialist expanded reproduction should be primarily intensive expanded reproduction. This is not only because the socialist form is an economic form compatible with big machinery production, so that it is entirely possible to accommodate further growth in science and technology and the level of the force of production, and to give full play to the intelligence and ability of the laborers and to their enthusiasm for production; it is moreover because socialist society absolutely must seek every possible way to improve productivity and economic results, to expand the proportion of surplus products within the total social product, and thereby better meet the objective demands of the fundamental economic laws of socialism.

To propose that we carry out primarily intensive expanded reproduction is by no means to say that there should be no extensive expanded reproduction. This is because first, in the process of building socialism, it is necessary to conduct the planned exploitation of a series of new natural resources, and due to the limitations imposed by natural conditions, it will be difficult for the productivity of certain of the enterprises involved in this exploitation to be higher than that of existing enterprises. Second, in order to correct the irrational distribution of production, some new enterprises should be built in those undeveloped regions whose technological base is relatively poor; again, these enterprises cannot for a time have a higher productivity rate than existing enterprises. Third, for a considerable period of time to come, there will be some growth in the production activities of our country's urban collective enterprises, handicrafts industries, and individual households. These enterprises work under relatively poor material conditions, and engage mainly in manual work, so many of them will fall into the category of extensive expanded reproduction. Fourth, technological growth in some sectors is very slow, and in order to increase their production capacity, it will be necessary to carry out a little extensive expanded reproduction. But whatever the case, in the whole of socioeconomic development, intensive expanded reproduction must be primary; this point must be affirmed.

In intensive expanded reproduction, whether the main form adopted will be to save labor or funds will naturally be dictated by the specific technological and economic conditions obtained in each country. At present, one acute problem in our country's economic development is that on the one hand, construction funds are extremely limited. In 1981, capital construction investment within the budget was only 20.76 billion yuan. But on the other hand, there is terrible wastage of production and construction funds. For instance, in 1981, the amount of realized profits per 100 yuan of industrial funds was only 23.8 yuan, a decrease of 11 yuan from 1957's figure of 34.7 yuan. If we

calculated according to the 1957 level, and made 1981's profits, we would spend over 100 billion yuan less funds. Consumption of goods and materials per 100 yuan of industrial output value is as much as 60 yuan and more, of which about 10 percent is "irregular," wasting over 30 billion yuan per year. Construction funds are limited, which requires us to save as much as possible, and increase their utilization efficiency; wastage is terrible, showing clearly the existence of great potential for saving funds and increasing productivity. Therefore, it is my opinion that at present, our socialist expanded reproduction should follow a path of intensive expanded reproduction with fund-saving as primary. The key link here is to raise the productivity of existing enterprises, and make great efforts to cut labor consumption in production and construction.

First, we must work hard to raise labor productivity, especially that of means of production departments. In these departments, consumption of living labor is consumption of materialized labor in the departments which use these means of production. Moreover, of the materialized labor consumption included in the raw materials and energy resources consumed in any one year, a considerable portion consists of living labor consumed in the production of these means of production. In the third volume of "Das Kapital," Marx said repeatedly that by raising labor productivity in means of production departments, it was possible to greatly cut down on the consumption of materialized labor in the total social product, and to increase total social productivity. Our country's industrial labor productivity is very low compared to that of developed countries. Under conditions of limited national financial and material forces, an increase in labor productivity cannot be effected purely through raising funds and equipment for laborers, but should instead be effected primarily through readjustment of the organizational structure of enterprises, improving their economic management, and making great efforts to tap intellectual resources. If labor productivity over the whole country were able to reach the present level of Shanghai, output value would reach 1 trillion yuan.

Second, we must work hard to increase returns on investment in capital construction and to improve the efficiency with which fixed assets are utilized. By increasing returns on investment in capital construction, we will promote the rationalization of the structure of fixed assets in existing enterprises, and quickly increase their production capacity; while improving the utilization efficiency of fixed assets in existing enterprises will better satisfy the material and financial demands of capital construction, and benefit the improvement of returns on investment. The construction period for big and medium-scale projects in our country was an average 10.6 years between 1979 and 1981, 4 years longer than during the "First Five-Year Plan" period. The cost of building the majority of new units of production capacity exceeded that of the "Fifth Five-Year Plan" period. The basic path to raising returns on investments is to do preconstruction work well, strictly control the direction and scale in investment, ensure the rational utilization of construction funds, and put new production capacity to use more quickly. By improving the utilization of fixed assets and production capacity, we can improve the output rate of funds, cut down on demand for means of production, improve the antagonistic relations between the two big departments, and thereby ensure that under conditions in which there is no great increase in capital construction, there will be an increase in product

quantity, surplus products, and consumption of funds. Of the total value of fixed assets at present possessed by our industrial enterprises, only 63 percent are really making the most of their capacity. By working hard to exploit potential, and finding every way of raising the economic efficiency of existing fixed assets, we can make great contributions to building the socialist economy. If profits realized per 100 yuan of fixed assets reached the level of Shanghai, we would quadruple profits.

Second, we must effectively reduce consumption of energy and raw materials. In the cost of modern industrial products, consumption of raw materials and energy accounts for about 70 percent, while the figure is 80 percent in the processing industries. If consumption of energy and raw materials is reduced, the materialized labor manifested in savings of goods and materials will also be saved. The more processing stages these goods and materials go through, the more economic results will be achieved through these economies. At the same time, the decrease in the amount of energy and raw materials consumed is often the same as the amount of each unit product used up by consumption of living labor and funds. At present, energy consumption for each 100 million yuan of industrial and agricultural output value in our country is 30,000 tons more than in 1957, and energy consumption per unit product is more than double that of similar products in advanced countries. The main path to saving on consumption of energy and raw materials is to strengthen management, readjust product structure, increase high-grade goods, and increase processing depth. It is estimated that the potential for saving energy stands at about 200 to 300 million tons [material not specified]. If this potential is exploited in the next 10 years, the economic results of energy consumption (the national income produced from each ton of energy resources) will be double the present level.

Last, we must carry out technological transformation with emphasis and in stages. Most of the fixed assets and equipment in our industry and communications enterprises is outdated, and obsolete technology, and poor survey and calculation conditions, have become a direct factor in the low efficiency and high consumption of existing enterprises. The aim of technological transformation is to raise productivity and economic results; the emphasis should be placed on cutting consumption and improving the quality and performance of products. Technological transformation must have an overall plan and specific requirements for the various enterprises; first, we must grasp industrially developed central cities and a batch of backbone enterprises, and under no circumstances must we let each enterprise carry out its own affairs, or rush headlong into mass action. We must resolutely carry out the pricing policy of fixing prices according to quality, draw up and implement the patent laws, and establish a system of encouraging new products and technological innovations by giving rewards, at the same time getting rid of those rules and regulations which stand in the way of technological progress. In particular, we must get rid of those old rules and, regulations which hinder the employment of able people, and the promotion and application of the fruits of science and technology. Marx said: "Labor production forces develop constantly with the constant advance of science and technology."²³ The history of modern material and cultural development has proved this point. Therefore, as we work to achieve

the formidable goal for the year 2000, we must lay particular stress on the role of scientific and technological advance. At the same time, we must concentrate on tapping intellectual resources.

The reform of the economic system is an important guarantee for raising productivity and economic results. With the prerequisite of upholding the unified state plan, we must appropriately expand the autonomy of enterprises and rural production units, spread the different forms of production responsibility system, handle properly the relations between the state, the collective, and the individual, and through means such as the improvement of the legal system and the utilization of the economic lever, centralize powers which should be centralized and disperse powers which should be dispersed, relax our policies, and enliven the economy; in this way, we will be able to create a new situation in the enhancement of productivity and economic results.

FOOTNOTES

1. Marx: "Das Kapital," Vol 2, People's Publishing House, 1975 edition (similarly hereinafter), p 565.
2. Because "Das Kapital" was centered on the investigation of capitalist relations of production, in his discussion of capitalist reproduction, Marx mainly used this dividing line.
3. Marx: "Manuscripts on Economics (1857-1858)," "Collected Works of Marx and Engels," Vol 46 (Part II), p 261.
4. Marx: "The Theory of Surplus Value," "Collected Works of Marx and Engels," Vol 26 (Part II), p 625.
5. Marx: "Das Kapital," Vol 1, p 657.
6. Marx: "Das Kapital," Vol 2, pp 92, 349.
7. Marx: "Das Kapital," Vol 2, pp 92, 349.
8. See Sun Yefang: "Why readjustment? In readjustment we should pay attention to an important question--the question of distinguishing between simple and expanded reproduction according to the amount of funds." "Certain Theoretical Questions in the Socialist Economy" (continued), People's Publishing House, 1982 edition.
9. Marx: "Das Kapital," Vol 2, pp 438, 589.
10. See Liu Guoguang: "On the Relations Between Making Up for Invisible Losses of Fixed Assets and Depreciation," "Questions on Socialist Reproduction," Life/Study/New Knowledge Joint Bookshop, 1980 edition (similarly hereinafter), pp 202-203.

11. Marx: "Das Kapital," Vol 1, p 257.
12. Marx: "The Theory of Surplus Value," "Collected Works of Marx and Engels," Vol 26 (Part II), p 598.
13. Marx: "The Theory of Surplus Value," "Collected Works of Marx and Engels," Vol 26 (Part II), p 596.
14. Marx: "The Theory of Surplus Value," "Collected Works of Marx and Engels," Vol 26 (Part II), p 596.
15. In the social sphere, the carrying out of intensive expanded reproduction generally also requires an increase in production capital, but the part which is increased does not necessarily come wholly from the capitalization of surplus value, or accumulation. Marx clearly pointed out that intensive expanded reproduction could also be carried out by utilizing old capital to carry out technological transformation. See "Das Kapital," Vol 2, p 192.
16. Comrade Liu Guoguang interpreted these words of Marx as the lowering of the amount of fixed capital used per unit product; this is incorrect. Since it is capital invested in production, it ought to include the whole of constant and variable capital, and therefore his words can only be interpreted to mean a reduction in the amount of constant and variable capital used per unit product. For Liu Guoguang's viewpoint, see "On the Relations Between Extensive Expanded Reproduction and Intensive Expanded Reproduction," "Problems of Socialist Reproduction," pp 18-21.
17. Marx: "Das Kapital," Vol 2, p 192.
18. Liu Guoguang and others: "Marx' Theory of Social Reproduction," China Academy of Social Sciences Publishing House, 1981 edition, p 1 Note 2.
19. Marx: "Das Kapital," Vol 3, p 360.
20. See Marx: "Das Kapital," Vol 3, p 292.
21. Marx: "Das Kapital," Vol 3, p 103.
22. Marx: "Das Kapital," Vol 2, p 457.
23. Marx: "Das Kapital," Vol 1, p 664.

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NATIONAL POLICY AND ISSUES

DISCUSSION ON NATION'S RESULTS, PROPORTION, SPEED

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[Article by Liao Jili [1394 1323 4539] of the Committee for the Reform of the National Economic System: "On Results, Proportion and Speed"]

[Text] In his report to the 12th CPC National Congress, Comrade Hu Yaobang said: "In the 20 years from 1981 to the end of this century, the overall goal of struggle for our country's economic construction is, under the prerequisite of constantly improving economic results, to quadruple the total annual industrial and agricultural output value," and demanded that we "bring the whole of economic work onto the path of improving economic results." This is an extremely important issue. The experience of history has repeatedly proved that in order to improve economic results, it is necessary to handle correctly the relations between economic results, proportionate relations, and increased speed. This article will inquire into this question.

1

Improving economic results means creating the maximum possible social product and national income from the financial, material, and human consumption of each unit, thereby better satisfying the material and cultural needs of the people. For a long time now, due to the influence of erroneous "leftist" ideology, we have been very biased in our understanding, such that we have stressed speed above all else, and demanded that proportion and economic efficiency be subordinate to speed. The result has been an increase in speed, but at great expense in terms of human, material, and financial strength, sometimes to the extent that losses have outweighed gains, and instead of gaining material benefits, the people have suffered hardships. Of course, speed is important, and without a certain speed there is no way to achieve economic results; the latter is closely connected to the former. However, speed is not the ultimate goal; speed must reflect economic results, and the degree of speed must have as its criterion economic results.

In the achievement of the goal of quadrupling annual industrial and agricultural output value by the end of the century, there exists at present an acute contradiction, which is that on the one hand, we are required to invest a huge amount of financial and material resources, and on the other, we have a large population but poor foundation, so that for a considerable time to come, our material and

financial resources will be limited. How is this problem to be solved? If we continue on our previous path, gaining limited social products and national income at the cost of consumption of large amounts of resources, there will be no way of attaining this strategic goal. On the other hand, if we really bring the whole of economic work onto the path of improving economic results, and produce more social products and national income from relatively little consumption of financial, material and human strength, the situation will be reversed. In his analysis of capitalist production, Marx said: "Capital has a tendency toward economizing, which teaches people to economize on their own strength, and use the minimum of funds to achieve the goal of production."* The planned, proportionate development of the socialist economy will benefit the economical consumption of financial, material, and human resources; herein lies our hope of achieving our strategic goal within this century.

Since the 3d Plenary Session of the 11th CPC Central Committee, we have achieved initial results in concentrating on correcting the previous bias toward the pursuit of speed and the ignorance of economic efficiency in our economic work. For example, productivity and economic efficiency in the sphere of agriculture have increased over the past few years. However, this is only the beginning; taking the national economy as a whole, economic efficiency is still very low, and potential is great. Of course, turning this vast potential into a real factor hastening the growth of the national economy is not something which can be done in one fell swoop. This is because it involves aspects like the progress of science and technology, the perfection of the national economic structure, the fuller use of production funds, and the reform of the whole economic system. Here, I shall discuss raising economic results only from the point of view of the factors of funds, materials and labor.

1. On efficiency in the utilization of funds. After over 30 years of accumulation, our national economy now possesses a considerable amount of fixed assets and liquid funds; they make up the social production fund, and are a part of the source of the total social product. This is the material basis on which we are to achieve the great goal. A society's economic results are dictated primarily by the efficiency with which its production funds are utilized. What, then, is the state of the utilization of our production funds? Has it already reached its potential efficiency?

Up until the end of 1980, the total value of the fixed assets of our country's state-run enterprises (calculated on their original value) stood at over 530 billion yuan, while their total liquid funds (those which they possessed, plus loans) amounted to over 310 billion yuan. This huge amount of production funds produced in 1981 a national income of something over 380 billion yuan, while the return rate on funds stood at a ratio of approximately 2.2:1, a drop of over one-half compared with 1957's rate of 1:1. As to the amount of national income added per 100 yuan of accumulated funds, in 1981 this stood at 20 yuan, compared to 27 yuan in 1957; while the rate of return on liquid funds, which was 1:0.27 in 1957, had dropped to 1:0.20 by 1981. If we look

* Marx: "The Theory of Surplus Value," "Collected Works of Marx and Engels," Vol 26 (II), p 625.

at the ratio between total funds and financial income, it was 9:1 in 1981, compared to only 3:1 in 1957. On these calculations, if the results produced by our production funds reaches the 1957 level, we could, without increasing investment, increase national income produced by over 300 billion yuan, and financial income by over 200 billion. This shows amazing potential!

On results from investment in capital construction. From 1950 to 1981, the total investment of our national economy was over 700 billion yuan, but the fixed assets formed amounted to only something over 500 billion yuan, or 75.9 percent of total investment, of which only 71.3 percent was available for use. That is to say, less than 50 percent of total investment was really able to achieve results, while the remainder was wasted or failed to really form into production capacity, and could not bring economic results. If we can effectively concentrate and utilize our capital construction investment, and really work according to capital construction procedures, shortening the construction period from the present 10 years to about 5, then the fixed assets created will rise from 70 percent to over 80 percent, so that within 3 years we will save about 20 billion yuan of investment, and will be able to create a number of years' more wealth for society.

Again, on liquid funds. Of the total liquid funds, commercial departments (including goods and materials, and supply and marketing departments) made up the greatest proportion, 57.6 percent in 1980; industrial departments were second, accounting for 30.9 percent of the total. The turnover rate of circulating funds in both these sectors is relatively low. Compared with 1957, they amounted to about 30 billion yuan more of the total liquid funds.

2. The question of how to raise the efficiency of utilization of goods and materials is also an important one. Of 1981's social product, consumption of goods and materials accounted for 56.4 percent, while net value made up only 43.6 percent, of which industrial materials and goods consumption accounted for 66.4 percent, and industrial net value for 33.6 percent. According to rough estimates, the consumption of goods and materials per 100 yuan of national income reached 129 yuan in 1980, a 79-percent increase over the 72 yuan of 1957. Of course, the utilization rate of energy resources during the "Fifth Five-Year Plan" dropped 55 percent from that during the "First Five-Year Plan." At present, our total consumption of energy resources has reached 600 million tons of standard coal, about the same as Japan, but the total value of our national production amounts to less than one-third of Japan's. If we bring our utilization rate of energy resources back to the level of the "First Five-Year Plan" period, we will be able to increase industrial and agricultural production by over 50 percent at the present level of production of energy resources.

Taking into consideration the entire national economy, it would be cheaper and quicker to save on fuel power and raw materials by working hard to improve production in the processing industry, and to cut its consumption rate, rather than to supplement the same amount of raw materials and fuel in production. If we are to ensure the fulfillment of the task of quadrupling the total annual output value of industrial and agricultural production, the need for raw

materials, and especially for fuel power, will rise sharply, while the need for transport and communications will also increase. In the long term, the satisfaction of these needs must, of course, rely on making the utmost efforts to develop excavation departments and increase their work efficiency. But for the next 10 years, especially under conditions in which the great development of energy resources, transport and communications will be impossible, the realization of the strategic goal of economic development will have to rely on efforts to economize on raw materials and energy resources. To this end, it is necessary to further rationalize the organizational structure of enterprises, improve product variety, raise the quality of products, and in a planned and step-by-step manner develop technological transformation aimed at saving raw materials and energy resources, renew and transform old, worn-out equipment, and perfect the deployment of the forces of production so as to relieve the pressure on transport and communications. This represents the real guarantee for the development of industrial and agricultural production.

3. On the employment of the labor force, our present population is large, and human resources are, therefore, exceptionally plentiful; this is something recognized all over the world. However, the main criterion for judging economic results is labor productivity. If a country's labor force is large but its productivity low, this signifies low economic results.

How, then, are we to raise social labor productivity? First, we must rationalize the distribution of the social labor force. In the countryside, this means developing the diversified economy, and keeping the rural labor force basically in the countryside. In the urban areas, the growth of industry, construction, transport, commerce, and so on, should rely primarily on the existing urban laborers, while the remaining labor force should be deployed mainly in the area of service industries. Without the great development of service industries, other production and construction cannot develop. Second, from the point of view of the form of ownership system, though state-run enterprises will have to increase their labor force to some extent, their capacity is limited, and we must greatly develop the collective and individual economies. At present, there are only something over 1 million individual laborers in the cities and towns, nowhere near the 9 million such laborers during the "First Five-Year Plan" period. If we appropriately relax our policies in the areas of the handicrafts industry, small shops, service industries, the foodstuffs industry, and so on, and at the same time strengthen administration and management in industry and commerce, increasing the number of individual laborers to 10 million or above, the life of the urban people will be made a lot easier, and no big problems will arise. Third, in the spheres of industry and construction, we must combine the development of labor-intensive industries with that of technology-intensive industries. The growth of labor-intensive industries helps us make full use of the advantages of a plentiful labor force, but if we pay no attention to the development of technology-intensive industries, it will be impossible to improve the quality of goods, to lower the consumption of goods and materials, or to raise labor productivity; we will be unable to compete with foreigners, nor achieve the economic results we should. Basically, with a large labor force but no advanced

science and technology, it will be impossible to improve overall economic results in society, or to realize the four modernizations. Japan's present slogan to "found the country on technology" is worthy of our attention and investigation. In the next 10 years, we should reform our science teaching system, work hard to tap intellectual strength, and in a planned way train large numbers of economic construction personnel, not tens of thousands, not 100,000, but several million or tens of millions of them. Such a large-scale training program may need a lot of money, but we must realize that this money is worth it, and that it is highly efficient economically. At present, expenditure on science education in the United States, Japan and other developed countries account for 3 percent or more of the national income. If countries like ours, with a low level of science and technology, wish to achieve modernization, it will be very difficult to bring about any large improvement in economic results without exploiting intellectual strength and putting great efforts into training able people. In the past, we failed to take this seriously enough; from now on, we must give it sufficient attention, and fight to advance by leaps and bounds in the next 10 years.

2

Consistent improvement in economic results requires the rationalization of proportionate relations in the national economy, and rational economic proportions will inevitably bring about an improvement in social economic results.

Ultimately, how are we to arrange overall, important ratios in the national economy, for instance the ratio between agriculture, light industry, and heavy industry, between accumulation and consumption, between investment of fixed assets in technological transformation and such investment in new and expanded construction, and between the development of the production of the means of subsistence and the extent of improvement in the people's lives, so that they are really an advantage to the improvement of the forces of production in society and to the enhancement of economic results? These are exceptionally complex questions, but ones which we must solve; they require our serious investigation.

First, on the question of the ratio between agriculture, light industry, and heavy industry. Over the last 30 years and more, we have undergone the tortuous process and severe lessons of massive ups-and-downs and lopsided development. During the "First Five-Year Plan" period, agriculture accounted for the highest ratio, followed by light industry; together, they amounted to over 80 percent of the total output value of industry and agriculture, leaving heavy industry with less than 20 percent. In order to achieve the speedy creation of our country's industrial base and national economic system, the policy of giving priority to the growth of heavy industry was introduced. By the end of the "First Five-Year Plan" period, heavy industry accounted for 25.5 percent of industry and agriculture, light industry accounted for 31.2 percent, and agriculture for 43.3 percent. Even in the economic life at the time, these ratios were felt to be a bit tight; the backward state of agriculture and light industry was already relatively marked, but the situation was still bearable. During the "Great Leap Forward," the proportion of heavy industry suddenly leapt to 52.1 percent, producing a serious imbalance which could

not be maintained, so that we were forced to carry out readjustment. After a 3-year readjustment period the proportion of agriculture and light industry to the total output value of agriculture and industry stood at about two-thirds, while that of heavy industry stood at about one-third, and the whole economic situation made a gradual turn for the better. During the "Cultural Revolution," the ratio of heavy industry again rose much too quickly. In 1978, after the smashing of the "gang of four," heavy industry accounted for over 40 percent of the total industrial and agricultural output value, and economic life began to get tighter again. This, added to the blind borrowing of funds from abroad, the blind expansion of imports of complete sets of equipment, and the expansion of the scale of capital construction, led to another serious disproportion in the national economic ratios.

Over 26 years, from 1953 to 1978, of the total agricultural and industrial output value, the ratio of agriculture dropped by 29.1 percent, or an average of 1.12 percent annually, that of light industry rose by only 3.3 percent, increasing by an average of only 0.13 percent each year; while heavy industry, on the other hand, rose by 25.8 percent, an average rise of 1 percent a year. Because these rises and falls were excessive, agriculture and light industry output value were unable to meet the need to make up about 70 percent of consumption within the national income. It is worth our while to seriously draw on these historical lessons.

In the next 10 years, then, how are we to arrange the proportionate relations between agriculture, light industry, and heavy industry so that they are relatively rational? It looks as if we should reduce the extent to which the ratio of agriculture is falling, slightly raise the extent to which that of light industry is rising, and limit the increase in the ratio of heavy industry. By 1990, in the total industrial and agricultural output value, it would be more rational for heavy industrial output value to account for about 40 percent, and agricultural and light industrial production together to make up 60 percent. This is because:

1. We have a large population and a poor base, and if we are to maintain and gradually improve the standard of living of our population of 1 billion, agricultural and light industrial production, that is, the production of the means of subsistence, must increase at a certain speed, and make up a certain proportion of the total industrial and agricultural output value. If not, the initiative of laborers will be affected, and productivity will not rise; even if accumulation expands and production develops, products will not necessarily find markets, and we will find it hard to modernize.

2. If we are to see growth in heavy industry, to create a basis and make preparations for the revival of the economy in the next 10 years, we must have a commensurate amount of accumulation. This accumulation must come mostly from agriculture and light industry. Under conditions in which light industry and agriculture are unable to achieve relatively large growth, they will be unable to provide much accumulation for heavy industry, and will therefore limit the growth of heavy industry.

1. The speed of the development of heavy industry must be restricted by its own production structure. In the next 10 years, when energy resources will be unable to show any great increase, the problem of finding energy resources for the development of heavy industry will have to be solved primarily through energy-saving.

Second, on the problem of the proportionate relations between consumption and accumulation.

With the change in the ratio between agriculture, light industry, and heavy industry, it becomes necessary to investigate the question of the ratio between consumption and accumulation. In the end, is it best to have a low level of accumulation (less than 20 percent), a medium level of accumulation (about 25 percent), or a high level of accumulation (over 30 percent)? Looking back at accumulation and consumption in our country over the last 30 years, it is possible to come to a relatively reasonable conclusion. During the "First Five-Year Plan" period, the accumulation rate was 24.2 percent, the rate of industrial and agricultural growth was 10.9 percent, national monetary wages rose by an annual average rate of 7 percent, and the actual per-capita peasant consumption rate rose by an average of 4 percent annually. During the "Second Five-Year Plan" period, the accumulation rate stood at 30.8 percent, the industrial and agricultural growth rate fell to 0.6 percent, and the standard of living dropped. During the 3-year adjustment period, the accumulation rate was 22.7 percent, the industrial and agricultural production growth rate rose to 15.7 percent, staff members and workers' wages rose by 17.4 percent, and peasant incomes rose by about 15 percent in 3 years. During the "Third Five-Year Plan" period, the accumulation rate was 26.3 percent, the industrial and agricultural production growth rate fell to 9.6 percent, and total retail sales of social commodities increased by an average of 3.2 percent annually. During the "Fourth Five-Year Plan," the accumulation rate was 33 percent, the growth rate of agricultural and industrial production fell to 7.8 percent, and total retail sales of social commodities rose by an annual average of 6.5 percent. Why is it that when accumulation increased, production nevertheless fell, and there was no improvement in the people's lives? This is because the results from accumulation funds were poor, funds, goods, and materials investment was large, and therefore realized fixed assets were scarce, and because they were incomplete, they could not form production capacity. Therefore, in the coming period, under conditions in which our scientific and technological level and that of our management are low, it is not appropriate to raise the accumulation rate too much, but instead we must make an issue of raising the results of accumulation. At present, the amount by which the national income increases per 100 yuan of accumulation is about half what it was before the "Cultural Revolution"; if we restored accumulation results to the level of that time, the national income would increase annually not by 2 million or 3 million yuan, but by 100 million yuan, which would mean that we could achieve our strategic goal several years ahead of schedule. From this we can see that it is relatively rational to maintain the accumulation rate at about 27 percent, and not to let it exceed 30 percent; this will benefit the enhancement of accumulation results, the increase of production, and the improvement of the people's lives. This is a key point which we must grasp.

The ratio between the financial income and the national income, and that between investment in fixed assets and financial expenditure, are also important questions. Looking at past statistics, it has been most appropriate in most years for financial income to make up about one third of the national income. In the past 2 or 3 years, it has dropped to 28 percent and been maintained at that level; this is obviously irrational, and should be changed. If investment in fixed assets exceeds 40 percent of financial expenditure, it will be bound to affect expenditure on other causes such as science, culture, and education; this is also irrational, and so investment in fixed assets should be brought down to around 30 percent, which is more appropriate.

Third, on the question of the ratio between the investment of productive fixed assets in technological transformation, and such investment in new and expanded construction. This is in fact a question of how to arrange the relations between simple reproduction and expanded reproduction, and between intensive expanded reproduction and extensive expanded reproduction. The principle should be first, simple reproduction, and then expanded reproduction. The exploitation of existing production enterprises and their production capacity is the prerequisite for expanded reproduction; only by renewing and transforming the production capacity of existing production enterprises will we provide a reliable base for the advance of extensive expanded reproduction. For a period of time in the past, because we attached importance only to extensive expanded reproduction, not to simple reproduction, we used the funds which maintained simple reproduction to carry out expanded reproduction; though it seemed that the scale of expanded reproduction grew considerably, in fact what we were doing was using principal to carry out new construction and expansion, which is like killing a chicken to get an egg. It would seem that in the next 10 years, about 60 percent of total investment should go for renewal of equipment and the technological transformation of existing enterprises: in this way, we can economize on the consumption of the means of subsistence, greatly conserve the use of funds, and greatly increase the results of those funds. Second, we must handle correctly the relations between extensive expanded reproduction and intensive expanded reproduction. Expanded reproduction carried out by the improvement of technology and the raising of productivity in existing enterprises constitutes intensive expanded reproduction; this type of expanded reproduction should be carried out in concert with extensive expanded reproduction. This should be stressed particularly in the key areas of energy resources and transport and communications. Again, this means that key construction projects should be carried out by national concentration of funds, goods, and materials, and absolutely must not be undertaken by various departments scattered all over the place. Experience has proved that the reason why the 156 construction projects carried out during the "First Five-Year Plan" were built at such an efficient speed was because they were undertaken through national accumulation of forces; and the same reason can be given for the speed with which the Panjihua industrial base was built during the 3-year readjustment period. The method of handing out funds to departments dispersed in the localities, and at the same time requiring them to concentrate these funds for key construction, is very difficult to carry out. Neither can too many of these key construction projects be carried out; if so, first the state will find it difficult to bear

the financial and material burden, and second, the battlefield is bound to be lengthened, strength dispersed, and a war of consumption waged. The criterion is that each year, realized fixed assets should reach over 80 percent of the total investment figure for that year, and the average construction period should not exceed 5 years. If we can meet these demands, our investment results will improve tremendously.

Fourth, on the relationship between the growth in the production of the means of subsistence and the improvement of the people's lives.

Generally speaking, the production of the means of consumption includes the two big production sectors of agriculture and light industry; this is our normal concept, but it is not precise. Because within agriculture and light industry, there are products which are produced for the service of heavy industry, and cannot become consumer products; they have no direct relation to the people's livelihood. At the same time, part of the products of heavy industry are used directly in the people's lives, but because of different methods of division in plans, they are not calculated as part of the means of subsistence. In addition, the part of agriculture used for peasant subsistence cannot be turned into commodities, and has no connection with the improvement of the lives of urban people. Therefore, the question we must focus on in our investigation is that of the relationship between the supply of social products and social purchasing power.

The improvement of life must be established on the basis of the development of production and the enhancement of productivity; at the same time, the extent of the improvement in people's lives must be considered along with increasing agricultural and industrial production, and especially that of consumer goods. Ultimately, what is the appropriate ratio between these two things? According to the historical experience of our country, if agricultural and light industrial production increase at a yearly rate of 6-7 percent, then social purchasing power can increase at a rate of about 6 percent a year. It should be said that if we ensure this level of growth, the lives of the people will see medium improvement in 10 years, and great improvement within 20 years. Of course, we must also realize that even after 20 years, compared to that of developed countries, the consumption level of our people will be relatively poor, and will only have reached a comparatively well-off level.

The speed of economic growth is without a doubt very important achieving to modernization by the end of the century. [sentence as printed] But we can by no means talk only of speed, still less blindly pursue an unrealistically high speed. The speed of economic growth is dictated by the society, economy, technology, and other factors at a certain period of time; moreover, it is the synthesis of all the above factors, in particular the overall reflection of a certain ratio and a certain economic efficiency. Therefore, if we consider speed in isolation, away from economic results or proportions, then we are violating objective economic laws.

For a long time in the past, because we overemphasized the speed of economic growth, ignored proportional relations, and overlooked economic results, we not only brought great losses and waste to the national economy, but caused many serious repercussions. If you fail to stress economic results or major proportionate relations, the products produced will not meet the needs of society, and more products will not mean more speed, because this speed has no real significance, and is even false; this sort of production is worse than no production at all, because it consumes the energy resources, raw materials and living labor of society, without being able to provide society with the corresponding use value. For example, in the Great Leap Forward of 1958, speed doubled, products of no use to society were produced, and 120 billion yuan was lost in 3 years; during the "Cultural Revolution," only speed was stressed, not economic results, and several hundred million yuan was lost; and added to the losses caused by construction on the three major and minor fronts, the total sum lost was comparable to our total fixed assets at present. From this we can see that the price to be paid for the sole pursuit of speed is really too high.

From now on, how should we consider the speed of the growth of our national economy? The first thing we have to look into and solve is the next 10-year period. Should we use the growth of heavy industry to spur on agricultural and light industrial growth, or strengthen the development of agriculture and heavy industry to promote heavy industrial growth? I consider that we should pursue the latter, rather than the former. This is not, of course, to say that agriculture and light industry must develop at a speed higher than that of heavy industry, still less is it to ignore the importance of heavy industrial growth to agricultural and light industrial development, or their relations of mutual promotion; instead, it means that we should consider the speed of heavy industrial development on the basis of the speed of agricultural and light industrial development. This is because whether our present population of 1 billion people see constant improvement in their lives primarily depends not directly on the speed of heavy industrial growth, but on how agriculture and light industry are developing. According to past experience, for each increase of 1 percent in agriculture, light industry may see a growth of about 2 percent; if in the next 10 years the agricultural growth speed increases at an annual rate of 4 percent, then the growth speed of light industry can reach 6 to 8 percent, or more. With the development of agriculture and light industry, there will be means of subsistence and accumulated funds, so that heavy industrial development may be pushed forward at a relatively high speed. In this way, heavy industry will grow at a slightly higher rate than light industry, around 8 to 10 percent; this will be relatively rational. Working on the above speeds of development of agriculture, light, and heavy industry, in the next [words indistinct], the average growth rate of industry and agriculture will be around 6 to 7 percent; this is not only feasible, but realistic. Of course, if agriculture encounters any severe natural disasters, this may affect the overall speed of industrial and agricultural development, but if we effect scientific and technological progress, and raise social productivity, then we will enhance the capability of agriculture to fight natural disasters, and the capacity of industry to respond to such situations, and thereby increase the speed of growth. These two changeable factors should be taken into account.

Should we set the speed of growth according to the production capacity of goods in ample supply, or the capacity to produce goods in short supply? What sort of balance is most proportionate, most economically efficient, and most beneficial to speedy growth? Controversy has raged for many years over this question. If we consider the speed of growth according to the production capacity for goods in ample supply, though the speed may be set somewhat higher, it may be that goods in short supply become even more scarce, and the imbalance will be exacerbated; the result is often that one point is outstanding, but a whole lot of things are affected, "one horse gallops ahead, but ten thousand horses are silent," and the desired speed is not attained. If we consider the speed of growth according to the capacity to produce goods in short supply, though it has the advantage of reliability, it may lead to excessive capacity to produce goods in ample supply, which will lead in turn to overstocking and surpluses, and on the other hand, may affect the exploitation of production capacity and the enhancement of productivity. It would seem that the most positive and reliable practice is to establish the speed of growth according to products which have an important effect on the whole situation. At present, one is grain, another is energy, and yet another is transport and communications; these are in short supply in the entire national economy, and constitute the major factors limiting the speed of development. To establish the speed of economic development, it is first necessary to calculate scientifically how much commodity grain can be supplied, how much energy resources can be saved and added, and how much capacity exists in transport and communications during the period of the plan, and use these as the bases on which to establish the speed of growth. In addition, when establishing the speed of growth of agriculture, we must also take into account the relations between grain, economic crops, forestry, animal husbandry, and sideline industries. "Taking grain as the key link" and concentrating on only one thing is, of course, incorrect; but it is also incorrect to pay attention to economic crops, ignoring grain production. We must use policies, science and technology, and the use of the economic lever, to promptly readjust the ratios within agriculture, achieving the proportionate development of grain production and all the other sectors. When we establish the speed of heavy industrial growth, we must consider the possibilities for increasing energy production and economies, and transport and communications capacities, the whole of the commodity structure, the industrial structure, and the technology structure, effecting the proportionate development of the entire heavy industry. In short, what we mean here by balance according to short supply is aimed at important products affecting the state plan and the people's lives; at the same time, we cannot achieve a negative balance between these important scarce goods, but must positively adopt all sorts of measures, including increased production, economization, substitution, importing, and so on, to stretch our scarce supply of goods as far as possible, and on this basis decide on the speed of development.

When we establish this speed, should we leave a margin? There is not much argument over this issue in theory, but there are different guiding principles in practical work. During certain years in the past, generally when the speed that had been established was rather tight, and especially when there emerged a gap in goods and materials, or a budget deficit, attention was turned on the

speed itself; it was considered that the best thing to do was to raise the speed somewhat, and when the speed could rise no further, the method of assignment in excess of the quota was adopted; that is, funds and materials were not distributed on the basis of the amount which could be produced, but quotas were forcibly assigned without considering what was actually available, insufficient funds and materials were given. The result was that in the implementation of a plan, construction squeezed out production, production squeezed out life, planning gave way to semi-planning or no planning at all, disproportions occurred, and speed could not increase. In fact, if we allow a certain margin in establishing speed, we cannot only make full preparations, but try to gain the initiative, and the speed can actually increase. We have had this experience during both the "First Five-Year Plan" period and the 3 years of readjustment. For example, the industrial production plan for 1957 set a 4 percent growth; a 2 percent margin was left, and the actual result was that it increased 11.5 percent; in 1965, the industrial production plan stipulated a 12 percent growth, with a margin of 3 percent, with an actual growth of 26.4 percent achieved. For the next 10 years, industrial and agricultural production will grow at a speed no higher than 6 to 7 percent a year, with a 1 to 2 percent margin in the plan; in this way, a 5-year plan can be achieved in 4 years. Leaving a certain margin for speed, that is, leaving certain reserves of production capacity and raw materials, will be of benefit to strengthening weak links, readjusting ratios, and enlivening the economy. From the point of view of carrying out the plan, the speed is not slower, but faster.

To sum up the above, of economic results, proportion, and increasing speed, economic results are in the central and dominant position. Speed increase must reflect rational proportions, and proportions must reflect maximum possible economic results. At no time is it possible to stress speed in isolation from economic results and proportion, still less can we one-sidedly pursue speed, and make it the starting point and end result for our economic guidance. This is the experience and lesson of several decades of practice and the wastage of very high cost.

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NATIONAL POLICY AND ISSUES

BAOHUA ADDRESSES FORUM ON INDUSTRIAL WORK

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[Speech by Yuan Baohua [5913 1-05 5478] at the National Forum on Industrial and Transport Work: "Continue To Do a Good Job in All-Round Consolidation of Enterprises To Attain Better Economic Results"--passages within slantlines published in boldface]

[Text] The First Session of the Sixth NPC has set forth definite tasks and requirements for developing the national economy and improving economic results. Comrade Deng Xiaoping recently pointed out that it is necessary to do a good job in enterprise consolidation as quickly as possible. Comrade Zhao Ziyang has, in light of the present condition in China's enterprises, categorically pointed out that our enterprises are confronted with a serious challenge and with a new change: how to improve the quality of enterprises. All these have set higher demands and new tasks in the all-round consolidation of enterprises. The central task of this meeting is conscientiously to study and implement the spirit of the First Session of the Sixth NPC; to study and solve the question of how to continue to do a good job in enterprise consolidation in order to attain better economic results and improve the quality of enterprises; and, on the basis of deepening our ideological understanding, to sum up and exchange experiences and to adopt methods and measures in order to promote the consolidation of enterprises to a new stage.

1. The Present Situation in Enterprise Consolidation

In the first half of this year, particularly after the national conference on industry and transport in March, the general situation in industrial production and communications and transport was good. Industrial production steadily rose and both income from sales and industrial output value basically increased. In the first half of this year, the gross output value of state industrial enterprises included in the budget increased by 7 percent over the corresponding period of last year, income from sales rose by 6 percent and the integration of production with sales was also fairly good. From January to June, the turnover of circulating capital rose by 2 percent over the corresponding period of last year and labor productivity by 5.4 percent. New progress was achieved in production quality and variety, and consumption dropped to some extent. The losses

incurred in industrial enterprises were reduced. By the end of June, the scope of loss was reduced by 4.7 percent over the corresponding period of last year and the amount of loss dropped by 13.9 percent. Communications and transport also made some headway. However, there is a conspicuous contradiction in our industrial production, that is, the profit made by industrial enterprises is lower than the rate of production growth. Production has developed by a fairly big margin but the state revenue has increased marginally. Under the new conditions in which the prices of raw materials and fuel are higher, the production of certain products is curtailed, and the prices of certain products have been reduced, many enterprises, including those with a fairly good management system, fail to adapt themselves in both production and operation. They are poor at adapting themselves to the new changes and so their profits have dropped by a big margin.

Although consolidation has promoted production, the new problems cropping up in the course of production have exerted pressure on enterprise consolidation. It was under this situation that the consolidation of enterprises was conducted in the first half of this year. Generally speaking, we have made fairly big headway.

/1. Enterprise consolidation has been unfolded in an all-round way from key units to all areas./ To ensure that the existing state enterprises will be consolidated in 3 years, the national leading group on enterprise consolidation has, in accordance with the experience gained in various localities, adopted a method of "making overall arrangements, stressing the main points, providing guidance to different categories, and inspecting enterprises group by group." The various localities and departments have made plans and arrangements for the consolidation for the next 3 years according to this plan. According to a preliminary report, the number of state enterprises throughout the country which are included in the budget (including industry, communications and transport, commerce, land reclamation, and construction) coming up to the standards for inspection in 1983 is scheduled to account for 30.5 percent of the total. Of this, the number of big and medium-sized key enterprises accounts for 63.3 percent of the total. At present, most localities and departments have made specific arrangements and those quick to take action have dispatched investigation teams to gain experiences at selected grassroots units. Most of the enterprises conducting consolidation by themselves have also drawn up plans and carried out consolidation work. Up to the end of June this year, 4,329 state industrial enterprises included in the budget had completed five consolidation items and passed the inspection test, accounting for 40 percent of the enterprises undergoing consolidation in the first group, or accounting for 8.6 percent of the total number of enterprises. Of this, 600 big and medium-sized key enterprises have passed the inspection test, accounting for 45.5 percent of the big and medium-sized key enterprises undergoing consolidation in the first group, or accounting for 23.2 percent of the total.

/2. New successes have been attained in the work of reorganizing the leading bodies of enterprises./ Up to the end of June, 62 percent of the leading bodies of the more than 2,000 big and medium-sized key enterprises in the industrial and transport departments had been reorganized. They have generally observed

the requirements of making the ranks of the cadres more revolutionary, younger in average age, better educated, and more competent, and have paid attention to rational structure of the leading bodies and the formation of professional work. In order to suit the needs of speeding up the readjustment of the leading bodies, quite a few localities have formed special bodies in charge of examination and approval and simplified the procedures. The organization departments and the relevant departments in charge of work have rationally divided their work, appropriately transferred the power of examination and approval to the lower levels and adopted various methods, such as conducting joint inspection, public opinion polls, joint examination and approval, and democratic election, thus ensuring the quality and shortening the time for readjusting the leading bodies. In the course of readjustment, they also take steps to implement several regulations on the leadership system of enterprises and to pay close attention to organizational and ideological building.

73. Some progress has been made in reorganizing labor organizations./ Since the national forum on reorganizing labor organizations of enterprises, the party and government leaders of some localities and departments have paid personal attention to this matter, aroused the initiative and enthusiasm of labor departments and, with the spirit of daring to tackle real and difficult problems, closely integrated the reorganization of labor organizations with the reform of labor systems, thus attaining fairly great progress in this work. For example, all the 91 big and medium-sized key enterprises under the Liaoning Provincial authorities have reorganized their labor organizations. Of these, 80 percent have passed after inspection. In Jiangsu Province, 823 enterprises have been consolidated as the first group. Of these, 48.3 percent have passed the inspection test. Of the 87 large and medium-sized key enterprises, 55 have passed the inspection test, accounting for 63.2 percent. Fairly satisfactory results have been attained in those enterprises which have conscientiously instituted the system of "double fixings" [shuang ding 7175 1353]: a) The administrative structure has been simplified, the number of personnel on the second and third lines has been reduced, and the forefront of production has been strengthened. b) The scope and level of fixed quotas have been generally expanded or raised by about 10 percent. 3) Surplus staff has been reduced and appropriate arrangements have been made for their placement. In Jilin Province, the number of surplus staff transferred from the enterprises which have passed the inspection test accounts for 8 percent of the total number of workers and staff. Of these, Jilin City has made proper arrangements for the placement of all surplus staff, Siping Prefecture for 83 percent of them, and the other prefectures for 40 percent of them. d) The workers employed extrabudgetarily have been dismissed and the personnel employed illegally have also been preliminarily straightened out.

According to statistics from 62 enterprises in Beijing which have passed the inspection test, 88.2 percent of the more than 1,700 workers employed extrabudgetarily have been discharged; more than 1,800 of the more than 2,200 personnel employed illegally have been straightened out and half of them have left their original posts. e) The rate of attendance, the utilization rate of work hours, and the labor productivity have been raised. In the 185 enterprises of Wuxi, Suzhou, Changzhou, and Nantong, in Jiangsu Province, which have passed the

inspection test, the rate of attendance has generally exceeded 95 percent, a rise of 2-3 percent compared with the period before the consolidation; the utilization rate of work hours has generally risen by 3-5 percent, reaching 80 percent or so; and labor productivity has generally risen by about 10 percent.

/4. The economic responsibility system has been further perfected./ Last year, under the impetus of the 131 "seeded teams" learning from the Shoudu Iron and Steel Company, a number of enterprises in various localities and departments perfected the internal economic responsibility system and attained new successes. The remarkable changes include: The previous practice of contracted profit targets has developed into various forms of contracted economic and technical targets, which are broken down from one level to another and assigned to specific persons, thus reflecting the principle of putting state planning and interests in the first place; the previous practice of regarding the economic responsibility system as a "method of distributing bonuses" or a "method of distributing profit," which stresses rewards without meting out any penalties, has developed into one which puts "responsibility" before everything else, defining authority according to responsibility, linking responsibility with profit, giving rewards, meting out penalties, and conducting strict inspection, thus ensuring the close integration of responsibility with authority and profit. The previous practice of implementing the economic responsibility system primarily among the workers and staff members in the front line of production has developed into one which involves all workers and staff members, including leading cadres and office personnel. Not only has Daqing implemented a system specifying "contracted output, guarantees and inspection" [bao bao he 0545 0202 2002], it has also instituted the economic contract system among various units of the enterprise.

/5. Integrating consolidation with reform and carrying out consolidation with the spirit of reform have promoted the consolidation of enterprises in a deep-going way and have initially brought forth some good examples./ Some experimental enterprises, such as the Shoudu Iron and Steel Company, the Acheng relay plant in Heilongjiang, the Pengpu machinery plant in Shanghai, the 17th state-owned cotton mill in Shanghai, the Xingang shipyard in Tianjin, the Shandong plastic experimental plant, and the optical instrument plant in Beijing, have tried some methods of reform, such as in the leadership system of enterprises, organizational institutions, operation, management, labor and personnel system, the salary system, and the system of rewards and punishment. These have brought about new changes in the outlook of the enterprises, strengthened their adaptability, and attained better economic results. They have handled the dialectical relationship between consolidation and reform in a relatively satisfactory manner, promoted consolidation through reform, and consolidated the achievements of reform through consolidation. The leading bodies are determined to carry out reform and are bold in making innovations and in smashing old traditional ideas and force of habit. In the selection and promotion of able persons, they have overcome their prejudice toward intellectuals and the idea of arranging seniority according to length of service and selected and promoting able persons without sticking to any one pattern and some have initially practiced the system of "assigning cadres to higher or lower posts." They vigorously reform the internal organizational structure and the management system, change the idea and style of

operation, conduct investigation and study on market changes on their own initiative, concentrate their efforts on increasing variety, improving quality, expanding service scope, and tapping internal potential, and thus raise the ability of enterprises to adapt themselves to the market as well as the competitiveness of their products. In perfecting the economic responsibility system of enterprises, they persist in integrating responsibility with authority and interest, put responsibility first, reform the system of salaries and of rewards and penalties, initially overcome the malpractice of egalitarianism characterized by "everybody eating from the same big pot," and further implement the principle of division according to work. They adhere to the principle of "taking themselves first, extensively adopting the strong points of others, mixing them together, and refining them so as to form a new school of thought," vigorously apply modern management methods of foreign countries, and further raise the operation and management level of enterprises. They attach importance to the development of intellectual resources, vigorously train all personnel, improve the training system and the conditions for running schools, implement training plans and, in accordance with the needs of consolidation, conduct professional training, thus attaining satisfactory results.

6. Better economic results have been secured by adhering to the standards of consolidation and ensuring consolidation quality./ In line with the requirements of the No 2 document of the CPC Central Committee in 1982, the various localities and departments have formulated five standards for checking consolidation work, which generally have clear-cut quality requirements and strict checking methods. They have also adopted various methods, such as self-inspection by factories, preliminary inspection by professional departments, and official inspection by inspection teams, to rectify and reform in good time unqualified items and thus ensure the quality of inspection. Some localities and departments have also conducted reinspection to make up for the deficiencies and to consolidate the achievements of consolidation. In an effort to arouse the initiative of enterprises, workers and staff members in carrying out consolidation conscientiously some localities have achieved satisfactory results by adopting the method of integrating political encouragement with economic rewards.

Judging from the enterprises passing the inspection test, their economic results have notably improved. According to statistics from the 62 enterprises in Beijing passing the inspection test, compared with 1981, the gross value of their industrial output increased by 5.6 percent in 1982 (that of the enterprises in the municipality by 4.1 percent), income from sales increased by 6.4 percent (that in the municipality by 2.6 percent), profit increased by 7.4 percent (that in the municipality by 2.3 percent), and profit turned over to the state increased by 0.6 percent (that in the municipality dropped by 6.3 percent). The first group of 50 enterprises in Wuxi City passing the inspection test fulfilled all the technical and economic targets last year. Of these, the profit of 20 enterprises exceeded the quotas for that year, the level of the preceding year, and the best previous record, and that of 24 enterprises exceeded the quotas for that year and

the level of the preceding year. In Jilin Province, by integrating consolidation with readjustment and by adopting various methods, such as exerting pressure, explaining the policy, and providing ways out, we succeeded in reducing the number of enterprises incurring losses from 41.3 percent to 28.1 percent in the first half of this year and in reducing losses by 51.97 million yuan over the corresponding period last year, or 48.4 percent of the deficits.

Judging from the country as a whole, we have made some headway in the consolidation of enterprises, brought forth some good typical examples, and gained some advanced experiences. This should be fully affirmed. However, the consolidation of enterprises still fails to suit the new situation, and this manifests itself chiefly in the following four problems:

First, the guiding principle for conducting consolidation around the attainment of better economic results has not been completely solved. In their specific work, quite a few localities and departments still issue general calls for action, without having a clear objective or strong measures and without closely linking all fields of consolidation work with the objective of securing better economic results. Although some enterprises have conducted consolidation, they do not attain marked results because they fail to grasp the main points or to concentrate their efforts on the key problems affecting the attainment of better economic results.

Second, progress in the consolidation of enterprises has been slow and its quality is poor. It was originally stipulated that by the end of this year, about 70 percent of large and medium-sized key enterprises should have passed the inspection tests; instead, only 23.2 percent of enterprises passed the inspection test in the first half of this year. It was originally stipulated that 20-30 percent of the other small and medium-sized enterprises should have passed the inspection test by the end of this year; instead, only 8.6 percent of enterprises have passed the inspection test so far. It was originally stipulated that the shakeup of the leading bodies of large and small-sized key enterprises throughout the country should have been completed in the first half of this year or the third quarter at the latest; however, only 62 percent have completed their shakeups so far, and some of them have to make up for the links they have missed. The reorganization of labor organizations is even slower and some are so much afraid of the difficulties that they make no headway. The reason for the slow progress is the lack of the spirit of daring to tackle troublesome problems and to carry out reforms on the one hand and to the effect of structural reform in some localities and the amalgamation of prefectures with cities on leadership over consolidation work on the other. Some enterprises were at a standstill or semistandstill for a time and some enterprises passing the inspection test have even returned to their old shape.

Third, the poor ideological and political work among workers and staff members of enterprises has not been fundamentally changed. Various phenomena, such as slack mood and discipline and the idea of "looking at everything in terms of money," exist among some workers and staff members.

Fourth, the consolidation of enterprises is unevenly developed and only a small number of enterprises have done a really good job of it. At present, enterprises can generally be divided into three categories: Enterprises of the first category have strong ability to adapt themselves to the changing situation and, under the conditions where market, prices, tax rate, and resources are changing, steadily develop production and improve economic results. These enterprises include the Shoudu Iron and Steel Company, the Daqing oilfield, the second car manufacturing plant, the Shanghai machine tool plant, and so on. The enterprises of the second category have attained some results in enterprise consolidation and have also improved their economic results to some extent but, owing to the great changes in the external conditions, they fail to make up for the reduced profit with better results and thus reduce their profit by a fairly big margin. Enterprises on this category are quite numerous, including some enterprises in the textile industry. The enterprises of the third category do not do a good job in enterprise consolidation and attain poor economic results. The management of these enterprises are still in confusion. They neither have fixed quotas for consumption, nor practice cost accounting, nor calculate the quantities of materials they have received. They freely spend money, resulting in serious waste. Some enterprises always incur losses. Moreover, due to various reasons, such as failure to work out sources of materials, to form a complete set of equipment for the project, to be up to the standard in technology, to keep abreast in management, or to find a ready market for their products, some enterprises reportedly going into production have not been able to give scope to their due economic results for a long time.

II. New Problems Confronting Enterprise Consolidation Under the New Situation

To achieve economic renewal in the 1990's, it is necessary to pay close attention to key construction projects from now on. The most outstanding problem confronting us now is the state's inadequate financial resources and the serious decentralization of funds. For this reason, all localities, departments, and enterprises should resolutely implement the decision of the central authorities on concentrating financial and material resources to ensure key construction projects and to make positive contributions.

The most fundamental thing in solving key construction funds is to develop production, achieve better economic results, and increase the tax and profit turned over to the state. More than 80 percent of the state financial revenue derives from industrial enterprises. Over the past few years, however, the economic results of industrial enterprises have been poor. Although production has developed to some extent, income has dropped owing to increase in costs. This cannot but exert an adverse effect on the state revenue.

Comrade Zhao Ziyang recently pointed out: In the past, our enterprises maintained their production by relying on cheap raw and semifinished materials and farm and sideline products and on relatively small expenses in salaries

and most of our profit came from the shift of the low prices of raw and semifinished materials and farm and sideline products. This situation covered up the backward outlook of our enterprises. Now, the situation has undergone great changes. The prices of farm and sideline products have risen, the prices of some raw and semifinished materials have also risen, and the expenses in salaries of workers and staff members have also increased. This has resulted in rising costs and greater losses and some enterprises support themselves by reducing the profit turned over to the state. In future, the prices of energy and raw and semifinished materials will be gradually raised and the salaries of workers and staff members will also be constantly readjusted. This is a general trend. The objective situation has penetratingly posed a question to all industrial enterprises: We cannot muddle along by relying on old methods and the present level of enterprises. If we do not fundamentally transform our enterprises and do not markedly improve their quality, our enterprises will not have vitality in the country and competitiveness in the world. They will have no way out. In short, if we do not advance, we shall not be able to subsist. Comrade Zhao Ziyang's words have penetratingly pointed out the fundamental reason for the poor economic results and long-term backwardness of our industrial enterprises. This issue merits the close attention of the leading cadres of the economic departments and enterprises at various levels. They should pay close attention to the consolidation of enterprises, strive to improve enterprise quality, and shift the work to the improvement of economic results.

There are numerous reasons leading to poor economic results in the existing enterprises. Macroscopically speaking, in improving economic results, it is necessary to continue to reform the economic management system and to readjust the setup of production, the line up of enterprises, and the organizational structure. Judging from the internal structure of enterprises, backward operation, management, and technology and poor political and technical quality of the contingent of workers and staff members constitute the principal reasons for the poor economic results. According to a data analysis by the state statistical bureau, the outstanding problem affecting economic results in 1982 was that relatively more money was spent on production costs, which was primarily due to higher consumption of materials and the greater proportion of raw and semifinished materials and fuel in the total cost, resulting in an additional outlay of 4.7 billion yuan on the total cost. There was a factor of price hikes in this but the principal factor was higher consumption of materials and the higher consumption of energy and raw materials per unit of production over 1981. Of the 230 targets for materials consumption per unit of production in key enterprises, 39 percent of the total rose over the previous year. Compared with foreign countries, our gap is still greater. In 1982, the total losses of the state industrial enterprises throughout the country was more than 4.2 billion yuan, and the situation did not improve a great deal in the first half of this year. The quality of our products was also poor. In 1982, many quality targets were still lower than those of the previous year and were lower than the relatively good level of the past. The backward situation stated above is not worthy of the tasks which our enterprises have shouldered in the socialist modernization drive. If the leading cadres of our enterprises

still fail to raise their consciousness, continue to stress the objective factors, are satisfied with the existing state of affairs, expect allowances and help from the state, yearn for the practice of "everybody eating from the same big pot," and refuse to devote their attention to internal problems or to concentrate their efforts on improving product quality, increasing variety, and reducing consumption and costs, they will surely be unable to survive. This has a strong bearing not only on the survival of enterprises but also on the success or failure of our modernization program.

The most important work for improving the quality of enterprises is to pay close attention to the all-round consolidation of enterprises. We must, through consolidation, improve the quality of enterprise personnel, including the political, technical, and professional qualities of the staff members and workers and leading bodies of enterprises, so that it can meet the needs of scientific management and mass production carried out in the modernization program. We must, through consolidation, improve the technical quality of enterprises, including design, techniques and tools, equipment, and so on, so that it can suit the needs of developing new products, renewing old ones, and improving the quality of products. We must, through consolidation, improve the quality of operation and management of enterprises, including the leadership system, decisionmaking capability, basic work, organizational structure, and so forth, so that it can meet the needs of external environmental changes. We must be aware that by adopting measures to improve the quality of enterprises and thus bringing about better economic results, it does not mean that we are incapable of action, but that there is much that can be accomplished. Viewed from the following figures, there are great potentials in our enterprises that can be tapped. The profit tax rate on funds of industrial enterprises in China was 30.4 percent in 1965 and then it dropped to 24.4 percent in 1981. The circulating funds utilized in the output value of every 100 yuan was 28 yuan in 1965 and it rose to 32 yuan in 1981. If we narrow the gap with the relatively good record of the past, there will be a great increase in profit taxes and reduction in the utilization of funds. Concerning energy consumption, we still have a long way to go compared with the advanced level in the world. In 1980, our consumption of standard coal in the national gross product of every \$100 million was respectively 100-400 percent higher than that of the Soviet Union, the United States, and Japan. Although there are differences in the economic structure, the gap is indeed wide. We can judge the quality of our enterprises from this gap and tap our potentials. In a word, provided we can conduct the enterprise consolidation in a down-to-earth manner, we will be able to attain better economic results and effect a fundamental turn for the better in the financial situation at an early date. If we can further improve the quality of our enterprises and vitalize many hundreds of thousands of economic units like the metabolism of cells, there will be bright prospects for invigorating our economy.

III. Some Opinions on Doing a Further Good Job in the All-Round Consolidation of Enterprises

The improvement of enterprise quality aimed at achieving better economic results is the central issue for conducting an all-round consolidation of enterprises under the new situation. Recently, the general offices of the CPC Central Committee and the State Council approved and transmitted the "Proposal for

Conducting Well the All-Round Consolidation of Enterprises With the Spirit of Reform," drafted by the leading group for national enterprise consolidation, and the document "On Setting High Demands and Accelerating the Pace of Consolidation of Leading Bodies in Enterprises" drafted by the organizational department of the CPC Central Committee and the State Economic Commission. The two documents made clear definitions and arrangements on the principles, tasks, objectives, and requirements relating to the all-round consolidation of enterprises. All localities and departments must earnestly implement the two documents combined with their actual situation. At this session, we will focus our attention on solving some prominent problems concerning the enterprise consolidation conducted under the new situation.

1. Do a good job of all consolidation work of the enterprises concentrating on the attainment of better economic results./ 1) It is necessary to firmly establish the guiding ideology with the attainment of better economic results as its goal for making a success of enterprise consolidation. At present, the tendency to concentrate on speed onesidedly and to ignore economic results still exists in the guiding ideology of many units. Under the new circumstances, there are some who think that there are many objective difficulties but few favorable factors. Thus, they underestimate the potentialities of the enterprises and are afraid of difficulties. Concerning the main aim, the attainment of better economic results, more efforts have been devoted to increasing production and income while not enough vigorous measures have been adopted to increase varieties, improve quality, and cut consumption of energy and raw and processed materials. Some enterprises even promote sales by cutting prices and letting others make profits and some enlarge the range of goods to be sold at negotiated prices and indiscriminately exact charges in order to conceal poor business management. Thus, we must strive to "shift focus" and to "change type," that is, to shift the focus of all work of the enterprises onto the attainment of better economic results and to turn those enterprises merely engaged in production into enterprises which are engaged in both production and business management. Thus, it is necessary to bring about changes in, and improve the quality of the leading bodies, the workers, business management and the technical level. Judging from the experience of many enterprises, effective ways of improving economic results include: making a success of decision making in business management and improving economic results by making the products more marketable, adhering to the unity of quality and quantity and improving economic results by improving the quality and quantity of products; strengthening business accounting, cutting consumption of goods and materials and expenses and costs, speeding up the turnover of capital, and improving economic results by increasing income and economizing expenditure; strengthening the management of fixed quotas and fixed number of staff members and improving economic results by reducing labor consumption; making a success of improving and updating products and the development of new products and improving economic results by making a technological advance. By doing all this, we can really improve the quality and quantity of products, cut consumption, heighten efficiency, and enhance safety, thus effecting a radical turn for the better in the makeup of the enterprises. Practice has proved that economic results improved to the extent of answering general calls and meeting general demands are not good enough. It is necessary

1. To set definite goals, especially in terms of, and visible and tangible economic indicators, and to carry out work in a down-to-earth manner throughout the entire process of enterprise administration.

2. To improve the quality of the leading bodies of the enterprises and raise the level of decision-making in business management. Not long ago, Comrade Xiaoping pointed out that the key to doing good jobs in business management lies in the leading bodies within. It proved to be incompetent, should be resolutely removed. This instruction of Comrade Xiaoping is very important. At present, the quality of the leading bodies of the enterprises lags behind. Therefore, it is necessary to further eliminate the influence of the "bureaucratic" order, to resolutely make the cadres more revolutionary, better educated, younger in average age, and more politically competent, and to draw knowledge and talented people. Under this precondition, it is necessary to pay close attention to the selection and formation of leading bodies, to select those who have strong practical abilities and knowledge in production, business, and business management, and who are capable of creating a new situation. When it is really necessary to appoint good factory directors and secretaries, we must let "sensible people" be in charge. 3. In using talented people, it is necessary to pay attention to giving full play to and making good use of their strong points and disregarding their weaknesses. At present, there are some talented cadres who are responsible for administrative leadership and they cannot give full play to their specialized knowledge or skills because they are engaged in administrative affairs. Thus, there is the problem of "the problem of giving factory directors." This problem must be attended to and solved. We must try to do a good job of making the young cadres work with older cadres and take over responsibilities from them to ensure the continuity of work. 4. It is necessary to pay close attention to fostering and growing the cadres of the new leading bodies and to strengthen business and technical instructions. Comrade Zhao Ziyang proposed that the 3 should be a centralized examination for the managers and factory directors of the backbone enterprises. This is an important measure for motivating the cadres to study, to acquire a better understanding of policy, to raise their technological and technical levels, and to improve their professional proficiency. It is necessary that a test will be conducted this year in the backbone enterprises when the leading bodies have been reconstituted, in order to find out the real situation. In addition, it is also necessary to strengthen vigorously the training and fostering of young, middle-aged, and reserve cadres and to prepare qualified managers and factory directors for the revitalization of the economy.

5. To reform the basic work of business management, especially to do a good job of "the management of fixed assets and fixed number of staff members," and make the responsibility system practiced in the enterprises more perfect. According to the experience of Beijing, Shanghai, and other places, after some reflection to leading bodies of the enterprises, it is necessary to devote a certain time to consultation, labor discipline and organization. It is necessary to make the system more perfect on this basis and to carry

toward the consolidation and perfection of the basic work of business management. Stipulations concerning the consolidation of labor organization and the perfection of the economic responsibility system have been made in the two documents on enterprise consolidation and the "Summary of the National Forum on the Consolidation of Labor Organization" transmitted by the general offices of the CPC Committee and the State Council at the beginning of this year. It is necessary to continue to implement them. The extent to which the basic work of business management is perfected, directly determines economic results. At present, the focal points of the strengthening of basic work are: a) Strengthen standardization, including the standardization in technology and in management. It is necessary to ensure that the standards are advanced. The standards of the products should follow international standards or the high standards set by foreign countries in order to improve the competitive power of the enterprises in overseas market; b) Consolidate the work on fixed quotas, including those for manpower and financial and material resources. It is necessary to fix the quotas for all the things which can be measured quantitatively and to set and maintain advanced average quotas; c) Perfect the work related to measurement and the set of means of measurement and testing, and improve and update the backward and outdated measurement and testing techniques; d) Strengthen information work, do a good job of keeping original records, strengthen statistical analysis, carry out data processing management, and do a good job of the filing of scientific, technological, and economic records; e) Perfect the rules and regulations which center on the responsibility system; f) Strengthen basic educational work, principally the ideological, moral, technical, and vocational education which is indispensable to a certain profession or certain posts, for example, the study of the "regulations for workers" and the training of people in what they should know and what they should be able to do. Departments concerned should integrate this basic work with the characteristics of various professions in setting specific demands and adopting measures, include the capital, equipment, and materials and goods needed for the strengthening of the basic work of business management in the technical transformation plans, and earnestly do a good job of the production, supply and scientific research on measuring and testing equipment.

g) Pay attention to the big enterprises and those which suffer losses. Comrade Chao Ziyang has repeatedly pointed out that in order to improve economic results and to quicken the pace of economic construction, it is necessary to pay close attention to the big enterprises which are of vital importance to the overall situation of the national economy. All departments and localities must adopt measures to strive to center the focus of our work on, and make a success of, the consolidation of the more than 2,000 large- and medium-sized backbone industrial and communications enterprises before the end of next year, so that they can make a new advance in business management and technology and attain unprecedented economic results. The ideological guidelines must be clear and definite. The key to the success of our economic work, to the attainment of better economic results, and to the growth of financial income lies in paying attention to the big enterprises. It is necessary to pay close attention to and regard as focal points enterprise consolidation, technical transformation, and structural reform and to coordinate all work.

it is necessary to pay close attention to making up deficits and increasing surpluses and in particular, to the large enterprises which suffer losses. It is necessary to analyze such enterprises one by one and to formulate plans for making up deficits. In making up deficits, the goals should be clear and definite and the measures taken must be implemented by each enterprise within the deadlines. According to the experience of Jilin Province, in handling the enterprises which suffer losses, first, it is necessary to "bring pressure to bear" on them and second, it is necessary to explain the policy to them and to help them find a way out. None of the enterprises which fail to fulfill the plans are allowed to retain the reduced deficits and they will not be given premiums. As for the enterprises which fail to make up the deficits within the time limit, they will no longer be given subsidies and must be resolutely closed down, stopped, merged, and converted. In addition, the wages of their workers will not be adjusted and their secretaries and directors must resign or be removed from office immediately. As for the enterprises which succeed in making up deficits within the time limit, they will be given the necessary encouragement. Some enterprises should practice the system of contracted responsibilities for a progressive decrease in losses. Some enterprises will be given a fixed amount of subsidies on the basis of the quality and quantity of their products so that they can have the internal motive power to make up deficits and increase surpluses. We think that the experience of Jilin Province is very good. Their key to success lies in the fact that the provincial committee was resolute, that the chief leading comrades personally took charge, and that all the localities and departments have adopted vigorous measures and policies concerning this work. We should set strict demands on, but not forgive or yield to, the enterprises which suffer losses out of poor management. We must put an end to the practice of continuing to give premiums and subsidies and extending loans to the enterprises which suffer losses, and not permitting them to waste their time on "eating from the same big pot" without being under any pressure.

We must closely combine consolidation with readjustment, reform, and technical transformation. The experience of many places has proved that it is necessary to combine the all-round consolidation of the enterprises with readjustment, reform, and technical transformation and to carry out an overall improvement in order to achieve much greater economic results. Thus, in the process of enterprise consolidation, it is necessary to base ourselves on the overall situation and to carry out first in the economic zones and key cities, the planning, reorganization, combination and transformation according to characteristics of various products and products. We must close down, stop, merge, or convert the enterprises which produce low quality products at a high consumption rate of materials and goods, those which produce and overstock products in excessive amounts, those backward enterprises which scramble with the advanced enterprises for energy resources, raw and processed materials, transportation, and markets, and those low-grade enterprises which have been blindly established and which try to elbow their way through the advanced enterprises. All departments and localities must adopt resolute and effective measures to solve this problem unwaveringly.

It is also necessary to combine enterprise consolidation with reform, to make reform run through the entire process of consolidation, to propel consolidation with reform, to create conditions for reform through consolidation, and to lay a solid foundation for the integration of consolidation with reform and creation. In order to improve economic results, it is necessary to give vitality to the enterprises. We should further reform and gradually perfect the system of substituting taxes for the delivery of profits. We should also enthusiastically launch pilot projects on the reform of the organizational structure, cadre system, labor and personnel system, wage system, and premium system of the enterprises, in order to fill them with vitality and bring pressure to bear on them.

In order to improve economic results and the quality of the enterprises, it is necessary to rely on technological advance. Each enterprise should combine consolidation with the formulation of technical transformation plans centering on the improvements in the quality and the performance of the products and the reduction in the consumption of energy resources and raw and processed materials. They should comprehensively develop mass activities related to the elicitation of rational opinions and technical transformation. They should comprehensively apply new technology and use new facilities and new materials with new techniques and new skills in order to shift production from the old technological basis onto a new technological basis.

6) Strictly consolidate economic and financial discipline and resolutely curb the unhealthy tendencies of indiscriminate hikes of prices and exaction of charges. This is an important aspect of the consolidation of economic and financial discipline under the new circumstances. On one hand, it is necessary to respect the initiative of the enterprises in business management, to lighten the burden on the enterprises, and to prevent the drain on the profits of the enterprises. On the other hand, it is necessary to strengthen the supervision over the enterprises and to curb and apply sanctions against the malpractices of indiscriminately meting out awards in cash or in kind, and stealing or evading taxes. It is necessary to perfect the rules and regulations governing financial management, to strengthen business accounting, and to do a good job of cost accounting and the administration of funds.

2. The enterprises whose consolidation work in five [as published] areas has been checked, proved to be up to standard, and accepted should further push forward the "three constructions" and strive to become "six-good enterprises."/

The enterprises whose consolidation work in five areas has been checked, proved to be up to standard, and accepted cannot stop there, but should continue to improve and strengthen their work. They should, on the basis of the demands set by the central authorities, carry the "three constructions" (which means to gradually set up a democratic and centralized leadership system, to gradually build a contingent of workers who are both red and expert, and to gradually establish a scientific and civilized management system) to a new stage and strive to be "six-good enterprises" (which means the enterprises which do a good job of giving consideration to the interests of the state, the enterprises,

of the workers, whose products are of good quality, whose economic results are good, which maintain good labor discipline, which do well in and are good at quality and production, and whose political work is good. Thus, it is important to do the following work well:

(1) It is necessary to put forward loftier goals of struggle and to draw up plans aimed at attaining and surpassing the advanced levels of China and foreign countries. It is necessary to continue to improve economic results persistently; the quality of the chief products should be up to international standards or the high standards of foreign countries so that they can have competitive power in the domestic and international markets. The major economic and technical quality should be up to the high standards of other enterprises in the same trade and attain and surpass advanced world levels.

(2) It is necessary to make a further success of the reform within the enterprise. It is necessary to reform and improve in a planned and step-by-step manner the thinking on business management, the ways of doing business, the organizational structure, the cadre system, labor system, wage system, premium system, administrative system, and the administrative methods of the enterprises. In addition to substituting taxes for the delivery of profits, it is also necessary to expand and confirm the initiative of the enterprises in business management.

(3) Enterprises should adopt and popularize modernized management methods and modern scientific business management. It is necessary to popularize all-round planning management, all-round quality control, all-round business accounting, and all-round labor and personnel management. In addition, it is also necessary to gradually popularize overall planning, optimization, market forecasting, management information systems, target controls, system structures, value structures, and so on. In light of the actual conditions of the enterprises, to combine them with creation, and to open up a new path of modernized management with distinctive Chinese features.

(4) Enterprises whose consolidation work in five areas has been proved to be up to standards, which have made remarkable achievements in the "three constructions," and which are up to the standards of the "Six-good enterprises" should be given the title of "Six-good enterprises." In order to encourage people to advance, each locality or department can conduct individual competitions so that several "stars" can be formed and the enterprises can be gradually moved up to the "Six-good enterprise" level.

(5) Strengthen the training of enterprise staff members and workers and improve their quality.

There are various fields in the enterprises that need to be improved and the outstanding ones will improve the quality of people. Only when the quality of people is improved can it bring about the improvement of other fields and effectively give full play to their role.

1) Earnestly enhance ideological and political work among the staff members and workers of the enterprises and improve the political quality of the staff members and workers' ranks. The "Program for Conducting Ideological and Political Work Among the Staff Members and Workers of State Enterprises (for trial implementation)" recently approved and transmitted by the CPC Central Committee is an important document for strengthening and improving ideological and political work among enterprise staff members and workers during the period of building socialist modernization in China. We must ideologically and organizationally implement this document in our work. Recently, Comrade Hu Yaobang gave instructions on several occasions on strengthening the building of workers' ranks. He emphatically demanded all departments to pay special attention to the ideological, stylistic, and organizational building of their ranks. He pointed out that the method of merely laying stress on professional work without attaching any importance to the building of the ranks will not do. In judging whether the various departments have done a good job in creating a new situation, we must regard doing a good job in the building of their ranks and attaining a fundamental turn for the better in party style as an important subject. We must conscientiously implement the spirit of these instructions.

There are many ideological problems among the cadres and masses in the current consolidation and reform. It is necessary to do well [in] ideological and political work linked with specific problems and conduct education on the necessity of consolidation and reform and relevant principles and policies. We must lay emphasis on publicizing the "three standards" put forward by Comrade Deng Xiaoping for judging the correctness or incorrectness of reform (that is, whether or not it is advantageous to the building of socialism with distinctive Chinese features, whether or not it is advantageous to the prosperity of the state, and whether or not it is advantageous to the well-being of the people). It is essential to get a clear understanding of the nature and orientation of the reform, properly handle the relations of interests and benefits between the state, collective, and individual, persist in attaching primary importance to the long-term interests, the interests of the state, and that of the whole, and resolutely eradicate the erroneous ideas of individualism, selfish departmentalism, decentralism, and "putting money above everything else" so as to ensure the sound development of consolidation and reform. In accordance with the requirements of the "Program for Conducting Ideological and Political Work Among the Staff Members and Workers of Staff Enterprises (for trial implementation)," we must gradually conduct systematic ideological education on patriotism, collectivism, socialism, and communism among the staff members and workers, particularly young workers, and fundamentally raise the ideological conscientiousness of the working class.

2) Further consolidate the party organizations at the basic levels and conscientiously conduct education among party cadres and consolidate well the party style. After the consolidation of the party organizations at the basic levels in enterprises, the role of party committees as the core of leadership, the role of the party branches as fighting bastions; and the exemplary vanguard role of the party members must be given full play. It is imperative to implement

the division of work between the party and administration. Enterprise party committees must concentrate their efforts on doing party building well and strengthening ideological and political work and the building of the ranks. It is essential to seriously study the "Selected Works of Deng Xiaoping" and conduct education among party members with the new party constitution, so as to make preparations for the all-round party consolidation. Leading cadres, party members, and league members should set examples and take the lead in correcting unhealthy tendencies. We must, with the exemplary role of cadres and party members, further help the vast ranks of staff members and workers set up a fine style in their factories.

3) Conscientiously tap our intellectual resources, enhance training, and improve the cultural, technical, and professional qualities of our cadres and workers. The political, cultural, technical, and professional level of the ranks of staff members and workers at present is rather low and there is a shortage of professional and technical personnel. If we do not attach due importance to this matter and ideologically and organizationally solve the problems in our specific work, we may lose the opportunity and adversely affect the attainment of the strategic objective laid down by the 12th CPC National Congress. For this purpose, all localities and departments must work out long-term planning and short-term requirements for strengthening the building of the ranks of staff members and workers and doing a good job in the training of cadres and workers. We must build up a cadres' contingent that is professionally competent, that can meet the needs of the four modernizations in quantity, and that can possess the knowledge of modern science and technology, and operation and management. We must also build up a workers' contingent that has a high level of culture and technical quality. This contingent will be mainly composed of medium level technical workers and their technical grades will be relatively rational. Large- and medium-sized backbone enterprises must actively create conditions for setting up their own training centers. Medium- and small-sized enterprises can, according to their needs and potential, let the responsible departments of the enterprises make unified arrangements, jointly set up centers, and undertake the task of political, cultural, technical, and professional training among the staff members and workers. All provinces, cities, autonomous regions, various concerned departments of the State Council, and industrial cities where conditions are ripe, must establish management institutions and schools in a planned manner. We must earnestly solve the problems of school-houses, teachers, teaching material, funds, and so on. It is necessary to study and formulate policies that can arouse the initiative of the enterprises in running schools, of the teachers in their teaching, and of staff members and workers in their studying. We must strengthen training on personnel in specific fields, particularly financial and accounting personnel, management personnel for fixing quotas, and sales personnel, and change the backward situation in professional and management work. We must continue to accomplish the task of "making up lessons in both fields for the workers" and also promptly carry out medium level technical training, so that after a few years' efforts, there will be a considerable increase in the proportion of senior and junior technical workers and then we will be able to transform the irrational state of structure in the current technical grades.

To sum up, we must, by means of consolidation and construction, build up a workers' contingent that has ideals, morality, culture, and observes discipline.

/4. Further strengthen leadership over enterprise consolidation work./

This year is the most important year for enterprise consolidation. Provided we speed up our pace and strive to improve quality, it will be possible to accomplish the task of conducting a reform on the existing enterprises within 3 years. To this end, we must further strengthen leadership over the work in this field.

1) Party and government leaders at various localities and departments must regard the all-round consolidation of enterprises as a matter of prime importance and earnestly deal with it well in a down-to-earth manner. It is necessary to perfect the administrative bodies and personnel of the leadership groups of enterprise consolidation. In order to unswervingly have a firm hold of enterprise consolidation work, while carrying out governmental structural reform, all localities must also make relevant readjustment on the leadership groups of enterprise consolidation. Leadership groups of enterprise consolidation must not only pay attention to major points such as principles, policies, and so forth, but also undertake practical leading work, not only discussing principles and ideological guidelines, but also dealing with concrete matters relating to work, and persisting in the regular meeting system, so that they can find out the problems existing in the consolidation work, actively making plans and arrangements, and appropriately supervising and checking the work. Members of the leadership groups must practice the system of division of labor with individual responsibility.

2) It is essential to set up the responsibility system at various levels and the system of division of labor with individual responsibility of concerned departments. The large- and medium-sized backbone enterprises will be directly handled by various departments of the State Council and respectively by various provinces, cities, and autonomous regions. The rest must practice the system of division of labor with individual responsibility according to subordinating relationships. The organizational departments of party committees, political work departments, and the departments of economy, labor and personnel, finance and so on of the government must all perform their functions according to the division of work.

3) It is necessary to set high and strict demands for examining and approving the results of enterprise consolidation. First of all, the five points for requirements for consolidation work must be strictly followed. Those enterprises that cannot achieve better economic results will not be regarded as qualified in the consolidation. This principle must be strictly practiced. Second, self-criticism made by enterprises must be adopted by the workers' congress. Third,

all additional conditions not related to the five points of requirements must be cut out and scholasticism prohibited. Fourth, enterprise work must be done in a down-to-earth manner with stress on achieving practical results. It is impermissible to practice formalism, making last-minute efforts, and resorting to deception. Fifth, after approval of enterprise consolidation, it is still necessary to conduct re-examination, rectification and reform, and give make-up lessons, so as to enhance the achievements of consolidation.

4) It is essential to work out a method that combines strict assessment with rewards and punishments in checking and approving the results of enterprise consolidation. We must lay stress on moral encouragement. The cadres and concerned personnel of those enterprises that have done a good job in consolidation and can thus achieve better economic results must be commended, awarded citation for merit, promoted to higher levels, and offered appropriate premiums as encouragement on the premise of not exceeding the bonus quotas. In a word, we must promote the work of all-round enterprise consolidation to a new stage, heighten it to a new plane, and make greater contributions to the improvement of enterprise quality, attainment of better economic results, accomplishment of a fundamental turn for the better in the financial situation at an early date, and acceleration of the pace in the four modernizations.

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ECONOMIC MANAGEMENT

NEW DEVELOPMENTS UNDER EXPERT LEADERS

Tianjin TIANJIN RIBAO in Chinese 6 Apr 83 p 2

[Article by Li Yunzao [2621 5619 5679], TIANJIN RIBAO correspondent]

[Text] The research achievements of the Tianjin Municipal Applied Electronics Institute have become the focus of public attention at the Tianjin Science and Technology Exchange now still in progress. As of 5 April, the institute has transferred 12 technical achievements for a total of 110,000 yuan, of which 45,000 yuan represents the income derived from a research contract it has concluded with the Fujian Computer Plant. The industrial digital instrument (an improved version of a pocket computer) it offered to the 13th Radio Plant of Tianjin helps the plant to boost the price of its pocket computers several times though the price is still much cheaper than those of other comparable industrial digital instruments. Its widely used powerful reflective infrared detector and tachometer have been taken over for manufacture by the 7th Radio Plant of Tianjin, while its magnetic switch is being manufactured by the 17th Components Plants of Tianjin. The manufacture of these new products enables the two plants to open up new fields of operations and reap higher economic gains.

The Tianjin Municipal Applied Electronics Institute is a research laboratory of Tianjin Normal University. Occupying over 200 square meters of land with a staff of 19 people, it is committed in thinking and in action to reform. The 13 technological achievements it made in the last 7 months have helped the manufacturers to maximize their economic gains. Its professed objective is to gear technology to economics.

A research institute dedicated to gearing technology to economics must have a leader who is not only an expert in its own field of technological specialization but who also knows enough about other production technology and business management. Ling Zhaoyuan [0407 5128 0337], the director of the institute, is well versed in electronics technology and has a good knowledge of the current state of industrial production technology in China as well as the production technology of other manufacturers. The institute began with 18 young recruits, including 14 college graduates and 3 high school graduates. Hoping to turn into experts in scientific research and business management, Ling Zhaoyuan puts them in charge of both research and business management, and makes them take turns conducting production and market surveys.

Ling Zhaoyuan does not intend to depend on the talents of the institute's staff to accomplish the tasks.

They have formed four networks: a cooperation network, an intelligence network, a part-time personnel network and a consulting network. The cooperation network is composed of the innovation experts among the workers, responsible engineers and technical personnel. While working at the production front, they forward to the electronics institute all the new problems and problems waiting immediate solutions in their own field. The solutions found by the institute are turned over to them for testing in practical application and then feedback of results for further improvement. The intelligence network includes the heads of the intelligence offices, the chiefs of the designing sections, the chiefs of the crafts sections, the chiefs of the technological sections, the chiefs of technological application sections, and the chiefs of the supply and marketing sections of the major industries of Tianjin and other localities. They provide the electronics institute with new technology and new products which it uses to resolve tough technological problems. The areas of application of its new findings go through the intelligence network as feedback to the parties concerned. Ling Zhaoyuan usually introduces the cost-recent products to the manufacturers when he gives lectures or attend meetings. It often happens that as soon as his lecture is over, people want to place orders for them. The electronics institute, therefore, becomes a center for promoting the application of the newest technology. The network of part-time personnel is an organization composed of the researchers of colleges and research units who spend their spare time in casual and unscheduled technological cooperation. Like a theatrical performance, these people play their own roles in any specific task while the electronics institute acts as a "director." When the electronics institute is too busy with its business operations, it depends on the consulting network to take a long-term view of the direction and extent of all technological developments, and the possible breakthroughs in scientific tough problems. This consulting network includes more than 10 professors and associate professors of Qinghua University, Nankai University and Tianjin University. Thus, the institute can afford to pick the best possible solutions to its problems.

Objectively speaking, the socialist system of public ownership of the means of production has opened up to the research and production sectors and expansive field of mutual help and cooperation. Capitalizing on this excellent opportunity, the electronics institute has built these four networks to provide itself with the needed information to promote the application of electronics technology to socialist large-scale production.

The activities of the electronics institute in the last 7 months since its inception demonstrates the correctness of its guiding ideology and the success of its organization and leadership. The right kind of organization and management is determined by the objective needs of production, and only those who are versed in science and technology are able to tell objectively what production wants from management. This shows that intellectuals will have to occupy leading positions.

Ling Zhaoyuan, 48 years old and a member of the CPC, is one of the intellectuals. An outstanding graduate of 1956 from the Department of Physics, Peking University, he has been rated a model worker of Tianjin for 10 consecutive years since 1979. Dedicated to serving his country, he is convinced that to popularize science and technology, and to upgrade the scientific and cultural level of China is as important as the pursuit of high technology. He took a teaching job in a middle school after his graduation from college. To improve the school physics experiments, he surveyed the physics and general science courses taught in the middle schools and elementary school, and studied all available reference materials published in China and abroad. Using his spare time, he compiled in 8 years a middle school physics experiments reference book of more than 700,000 characters with hundreds of charts and illustrations. It was burned in the "Cultural Revolution" before it was published. To keep pace with modern electronics technology, Ling Zhaoyuan, who had barely touched electronic tubes in his student days, began to educate himself on integrated circuits and computer technology. He led a simple life to save money to buy books. For 10 years since he began working, he had neither a watch nor a bicycle. When he was sent down to work in the villages and factories, his own work and investigations and his contacts with a huge number of worker friends made him realize the importance and potentials of applied electronics. Working with several comrades, he founded 42 plants to manufacture teaching instruments and apparatus for middle schools, and published articles on applied electronics in magazines which led to a constant flow of mail seeking their assistance. These requests broadened his horizon and strengthened his determination to promote the application of electronic technology. Since then he has worked out over 100 product designs, helped the factories and enterprises resolve many tough technical problems, and written over 1 million characters on technical subjects. He has received since the 3d Plenary Session of the 11th CPC Central Committee three national awards and one provincial-municipal award for outstanding technological achievements. In September 1982, he founded the Tianjin Municipal Institute of Applied Electronics, a dream come true. The experiences of the Tianjin Institute of Applied Electronics tells us that the work of bringing technology closer to economics must be led by those who are experts in both scientific technology and business management. I am sure Chinese intellectuals are well prepared for the task.

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ECONOMIC MANAGEMENT

PLANNING SYSTEM CALLS FOR REFORM

Guangzhou NANFANG RIBAO in Chinese 2 May 83 p 4

[Article by Chen Yingzhong [7115 2019 0022], vice president of the China Statistics Society and Guangdong Provincial Economics Society]

[Text] The whole country is working now for the "four modernizations," but the implementation of the "four modernizations" calls for the reform of the economic system, including the reform of the planning system. The CPC Central Committee has stipulated in no uncertain terms that the policy of the socialist economy "rests mainly on a planned economy, supplemented with market adjustments." How do we reform the planning system on the basis of this policy? The following are my personal views.

1. Although the scope of planning in Guangdong is extremely restricted, yet practically all the plans are mandatory in nature, tailored to cover more ground than necessary to insure a sustained, step-by-step and well-proportioned development of the social economy. As a result, there is very little leeway left to the various departments, localities and enterprises.
2. What should the plans cover? Should the plans have any binding force? What should be done when a plan is not carried out at all or not carried out effectively? All these must be provided for by law. Now that the state has a statute on planning, Guangdong as a province must work out its own rules to enforce the law so as to meet its need for more foreign trade and greater local decisionmaking authority.
3. The work of planning touches upon the whole national economy. Even if all the planning staff of Guangdong were college graduates, they still would not be able to comprehend the law of the development of the entire economy. They have to draw on the resources of society at large by relying on a consulting system. All the major plans should be referred to experts and scholars in the related fields for recommendations, then putting into practice what is really practicable. This does not mean to rule out the potentials of the planning committee. A lot could be done if we had a sound, responsible system, and a way to enlist enthusiasm of all the parties concerned.
4. Instead of letting each go his own way, the planning must not deviate from the overall policy of the CPC, and should be based on its strategic objectives

economic development. The 12th CPC National Congress has decided that the gross industrial and agricultural output value should quadruple between the year 1980 and 2000. The first 10 years should be devoted to laying the foundation, and extensive development should follow in the remaining 10 years. If the planning were not done in accordance with the strategic objectives, it would drift away from the right course.

5. The planning should not deviate from the overall objective of steadily improving the livelihood of the people and satisfying the needs of society envisaged in the basic socialist economic law. Any deviation from the socialist economic law would lead to too much speed and very little practical benefit. This is best illustrated by the situation prior to the 3d Plenary Session of the 11th CPC Central Committee.

6. The planning should focus on the overall situation instead of dwelling on minor issues and the interests of any particular locality or department. It should strive for a well-balanced development to insure that the ratio between consumption and accumulation agrees with the current level of profit and state revenue. It should observe this order of priority: agriculture, light industry and heavy industry. The trade plan should aim at supplying each other's needs in accordance with the principles of independence, self-reliance, equality and mutual benefit. Handle correctly the interests of all concerned, and take into account state, collective and individual interests as well as long-term and immediate interests. If these cannot be done, it will be practically impossible to enlist the active participation by all for the realization of the plans.

7. To weigh carefully the advantages and disadvantages in planning, the law of value should be conscientiously observed. Since the socialist society depends on commodity production, the law of value is essential. The parties involved in the exchange of industrial and agricultural products or in the exchange of products between state-operated enterprises must do their own economic accounting because any exchange not at proper value would obstruct the flow of commodities. To avoid the capitalist practice of allowing the law of value to play its role spontaneously, and to help those enterprises whose products too far exceed average social labor costs stay in business, internal pricing and state subsidies are often used to hold down sale prices to protect consumers. This is why the law of value must be considered when the consumption and accumulation schedules are drawn up. Any failure to observe the law of value would lead to overstocking of commodities, difficulties in capital turnover, financial deficits and popular discontent.

8. Instead of planning exclusively for the various departments, the plans should be drawn up from the standpoint of the industrial and business units (including the national, provincial and local entities) because they are the substantive economic entities. Any plan dissociated from the substantive economic entities is unscientific. Consequently, except for a few plans which the state must control, most of the quotas should be covered by long-term cooperation contracts between the industrial and business enterprises on the strength of the estimates of the preceding year and the annual schedules of the 5-year plan in order to let the annual planning rest on economic cooperation instead of starting from scratch every year and getting engulfed in planning all year round.

ECONOMIC MANAGEMENT

TIANJIN MUNICIPALITY, FIVE UNIVERSITIES COOPERATE ON TECHNOLOGY

Tianjin TIANJIN RIBAO in Chinese 16 Apr 83 p 1

[Text] According to ZHONGGUO JIAOYUBAO [CHINESE EDUCATIONAL JOURNAL], the Tianjin Municipality which shares a scientific-technological cooperation program with Zhejiang University, Qinghua University, Tianjin University, Nankai University and Xi'an Jiaotong University has received the transfer of 61 research achievements of the projects it had contracted out. These are expected to boost the output value of Tianjin by 32 million yuan this year with a net earning of 10.5 million yuan.

The cooperation with these five universities under the jurisdiction of the Ministry of Education is personally supervised by the responsible comrades of the Tianjin Municipal CPC Committee and the Municipal Government. As shown in the findings of the visits and investigations organized by the Tianjin Municipal Council of Economics and the Council of Science and Technology for the key technical cadres and leading cadres of the various bureaus, companies and enterprises concerned, more than 1,600 professors and associate professors and more than 7,000 lecturers of these 5 universities are engaged in more than 1,400 research projects. This contingent of technical force is much stronger than that of the entire Tianjin industrial system. The responsible comrades of Tianjin Municipality believe that only by relying on the scientific and technological capability of the universities can the products of Tianjin become more competitive in the market place. After careful investigations and consultations by both the municipality and the universities, they signed various agreements to launch a wide range of technological cooperation programs: 1) to receive research achievement, and to commission or cooperate in research on tough technical problems; 2) to hire the professors and experts to serve as consultants to the various enterprises and trades; 3) to conclude long-term agreements to link together certain university departments, research institutes (laboratories) and corresponding companies; and 4) to train high-level personnel and exchange technological information obtained in China and abroad.

The coordination of the research achievements of these five universities and the industrial production of Tianjin has brought about fast and noticeable economic returns. Lu Yongxiang, an instructor at Zhejiang University, had a record of five inventions in West Germany. Upon his return to China, he went to Tianjin which immediately set a hydraulic pressure industry and train the

required personnel. The university turned his inventions to Tianjin which immediately set a hydraulic pressure appliances industry company and trial manufactured successfully the proportional-flow valve he invented. It will be used in the automatic control system of large precision machines in China. The ministries and commissions of the State Council think very highly of this new generation of hydraulic pressure technology and have designated Tianjin as the center to develop this key industrial project of the state. The new technique of salt-extraction distillation of anhydrous ethanol which the Tianjin Xinxin Pharmaceutical Plant received from Qinghua University has upgraded the product purity to 99.7 percent, cutting down the production cost of the year by 1.2 million yuan. The research achievements of several universities have increased the output value of the new products of the Tianjin Optical Industry Co to 20.4 percent of its total output value. Guided by Nankai University and the Labor Protection Office, the Third Analytical Instruments Plant which was about to shut down 2 years ago has succeeded in trial producing 11 new products, and its output value is expected to reach over 1.4 million yuan, more than 200,000 yuan of which would be net profit. The Tianjin Auxiliary Manufacture Plant, which used a new process for distillation of cyclic-oxv-ethane developed by Tianjin University and Nankai University, has upgraded its product quality and achieved an annual saving of 250 tons of alcohol, 518,000 kWh of electricity and 500,000 yuan in funding. The research achievements of Zhejiang University, which filled China's void of 360° 120mm full-view camera, the advanced V-MOS field effect device of the 1980's, China's own version of a bounce light photometer, a new generation of upgraded 120mm semiautomatic electronic photometer camera has been trial manufactured in Tianjin, and will be produced in volumes already approved.

To link the scientific and technological know-how of the university with corresponding industries of Tianjin to pursue long-term stable specified research in certain major comprehensive scientific and technological projects, some research institutes and laboratories have joined interested companies of Tianjin to form three companies for the development of optical instruments, hydraulic pressure appliances and computers. Certain departments of Qinghua University, Tianjin University, Xi'an Jiaotong University, and Nankai University have established long-term cooperation arrangements with interested companies of Tianjin in the following areas, namely, new-model electric welding machine, thermosensitive materials, compressors, refrigerators, thermoelectric generators, physics laboratory instruments and pesticides. So the universities have become the scientific and technological rear base of the factories, which in turn have become the testing ground for scientific research and the bases for applying research achievements.

In its recent report to the State Economic Council, the Tianjin Municipal Economic Council pointed out that it takes strategic vision to launch scientific research cooperation with the universities. The industrial leaders should plan not only for today's production but also the development of their industries tomorrow and the day after tomorrow. They have to rely on the scientific and technological capabilities of the universities to upgrade the technological level of their enterprises and the competitive quality of their products.

ECONOMIC MANAGEMENT

TANGGU VALVE PLANT SUCCESSFULLY APPLIES FOREIGN TECHNOLOGY

Tianjin TIANJIN RIBAO in Chinese 14 Apr 83 p 1

[Article by Ye Fan [5509 5400] and Li Lianchun [2621 6647 2504]]

[Text] Editor's Note: The experience of the Tanggu Valve Plant in its application of advanced foreign technology represents three salient features: 1) all-out adoption of international standards and absorption of imported technology to upgrade the technical quality of products; 2) exploitation of the plant's own resources to cut down investment and realize fast returns; and 3) implementation of scientific management to increase productivity.

As economic revitalization rests on scientific and technological progress, science and technology should gear to economic construction and the advancement of production technology. The experience of the Tanggu Valve Plant illustrates the working of this principle.

The Tanggu Valve Plant has found out that the way to make good use of foreign technology is to adopt international standards and speed up the application of imported technology in order to upgrade the technical quality of products. The plant has produced two kinds of butterfly valves, 16 specifications of which have been certified by the Mack [phonetic] International Control Co of America as meeting the requirements of the Norwegian ship registrar, the Soviet ship registrar and the Lloyd's quality standard. In a word, it has reached the advanced international standard and produced valves which China had never produced. butterfly valves are products of top international quality, lighter, smaller, easier to handle, more tightly sealed, more versatile and more durable than the check valves China produces. A contract for "the transfer of the certification and joint production of back-to-back butterfly valves" was signed in Beijing 14 March 1980 by the plant and the Mack International Control Co of America. The idea behind the importation of the technology is crystal clear. All the advanced international product quality standards, the results of advanced technology, are China's cherished items of imports. Consequently, the plant imports not only the necessary "hardware" but also all the "software" on related technological standards. Attendant to the introduction of the standard, the other party agrees to provide the relevant international standards, its own

internal standards of control, and the most up-to-date international standards to help the plant avoid pitfalls in applying the imported technology.

All the technological data was turned over to the plant by the American side on 14 August 1980. To speed up the absorption and incorporation of all the technological data, the plant immediately launched three projects. First, to save time, it worked with other outside sectors to complete the translation of the data which the plant studied to make sure that trial production and preparations for full-scale production may take simultaneously. Second, it organized specialists to check and master the standards and provide centralized training of the personnel involved. Third, it turned the international standards into 18 business standards as production guidelines which are easier for the workers to handle, and worked out a materials checklist for both the Chinese and American sides.

Having absorbed and incorporated the imported technology, the plant, assisted by the First Tianjin Rubber Products Plant and the Tianjin Municipal Machine Factory, succeeded in 18 months in turning out the products and building a market in China and abroad for its quality products. It had produced 6,760 butterfly valves, 5,960 of which were sold in China. It has exported \$100,000 worth of butterfly valve parts to pay for what it had imported. It is experiencing a brisk demand for its high-quality products, which have won popular acclaim.

The Tianjin Soda Factory which replaced the cockvalves used in its caustic soda workshop with butterfly valves in November 1981 has found the change extremely rewarding. Plagued by severe corrosion, the old valves often developed leakages within a couple of weeks. The butterfly valves, cheaper and more easily maintained and repaired, last from 1 month to more than 1 year. Tightly sealed to prevent dripping and leaking, they help the workshop maximize the usefulness of this new technological process and energy conservation. The steam required to produce 1 ton of caustic soda has dropped from 11 to 5.8 tons.

Exploit Potential, Seek Small Investment and Quick Results

By the advanced foreign technology and tapping its own resources, the Tangzhi Valve Plant succeeded in 18 months in putting its imported butterfly valve manufacturing technology into production. The fact that it has achieved the capacity to produce 40,000 valves per annum makes it a forerunner of the Ministry of Machine Industry to adopt foreign technology with very little investment and fast fat returns.

Realizing that to add a butterfly valve sealing workshop requires more factory ground, it decided against any additional capital constructions to accommodate the manufacture of this new product. Relying on its existing facilities, it took one-half of the workers mess hall and turned it into a butterfly valve sealing workshop. It also put a roof over the space between two existing workshops and built a 500-square meter cubical storage for butterfly valve parts. These two construction projects cost only 20,000 yuan, a great saving in engineering cost and time.

The entire butterfly valve production line called for 27 sets of machine tools. After consulting the foreign businessmen, they found Chinese products could meet most of their requirements. They imported two deep-boring tools to meet the precision standard of the products, while the rest of the equipment was found in-plant and rehabilitated or made by its staff and workers, and a small portion was selected for quality and purchased domestically.

The fact they were able to tap the manpower resources of the plant is a major contributing factor of its success in adopting the imported technology. It did not hire any new workers for the newly added butterfly valve workshop, and the operators required were made available through factory reorganization. Moreover, the funds for importing the technology were covered by bank loans. The pressure to repay the loan spurred them to manage and use the funds wisely for fruitful returns.

By importing technology and tapping its own resources, the plant has succeeded in "doing big business with small investments." According to the estimates of related departments, the importation of the entire butterfly valve manufacturing technology would cost close to \$1 million in foreign exchange. But the plant spent only \$300,000, and part of the foreign exchange was covered by the butterfly valve parts its manufactured, a big saving in foreign exchange for the state. Now, its foreign indebtedness is paid in full. If the butterfly valve workshop and related facilities were to be duplicated, the state would have to invest at least 3 million yuan and spend 3 years to get it ready for production. The plant borrowed only 1.25 million yuan from the bank for the whole project and began to produce certified products in 18 months.

Put Advanced Scientific Management Into Effect

The butterfly valve sealing workshop of the Tanggu Valve Plant, run by 43 staff and workers, has achieved splendid economic gains by the introduction of an advanced system of management. In 1982, it turned out over 6,700 butterfly valves, a gross industrial output value of 1.98 million yuan, 610,000 yuan of which represents profit. The per capita labor productivity is over 46,000 yuan, more than 14,000 yuan of which represents the profit earned per worker. Such a high rate of gain ranks first in the trade.

When the butterfly valve production technology was introduced, the plant also set up a unique butterfly valve sealing workshop which combines the management experience of a West German plant and the reality of this plant. To make its production layout scientific and rational, its machine tools are installed to agree with the technological process of product processing. This helps prevent the "double handling" of parts being processed, reduces labor intensity and increases efficiency. It has two different groups of workers, the operators and the production supporters. An operator is assigned simple man-hour quotas which he must accomplish no matter whether he handles one, two or three valves. The production supporters are to complete production preparations, such as maintenance and change of molds when the operators are taking a break. This kind of work schedule allows full utilization of working time and

increases efficiency. Judged by the current bonus-awarding criteria, this workshop has reached 70 percent of the quotas required of similar West German enterprises.

Scientific management can actually be converted into productivity. Last year the gross output value of the Tanggu Valve Plant was 7 million yuan, 1.2 million of which represents profit, with the butterfly valve sealing workshop contributing 28.6 percent and 50.8 percent, respectively.

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CSO: 4006/502

ECONOMIC MANAGEMENT

MORE MEASURES TO IMPROVE ECONOMIC RESULTS

Jiangsu XINHUA RIBAO in Chinese 19 Apr 83 p 4

[Article by Wu Xiangjun [0702 4382 0971]: "Tapping Boundless Potential"]

[Text] Since Liberation, the prices of some commodities have never changed. Matches are one of these. In the past 30-odd years, they have always sold for 2 fen per box. However, wood, the main material for match production, has been adjusted upward many times. Under these circumstances, the Nanjing Match Plant has incurred no loss. On the contrary, it has increased profits. What is the secret of its success? In a word, it taps potential by every means possible and works hard to increase production and practice economy.

The foundation of raising an enterprise's economic results lies in working hard to increase production and practice economy and lowering production costs under the prerequisite of guaranteeing product quality. To accomplish this is naturally the composite result of reliance on hard work in many areas. To summarize them, reliance on policy comes first, and then reliance on science and technology. As for the former, it is mainly concerned with economic policy.

Implement and Perfect the System of Economic Responsibility

The industrial economic responsibility system is the same as the production responsibility system in agriculture--a partial adjustment and perfection of production relations. This includes two aspects: the first is to expand the enterprise's right to self-management and to define clearly the economic responsibility to the state that the enterprise ought to bear; the second is to carry out the economic responsibility system inside the enterprise at every level. These two aspects are an indivisible whole. They embody the union of responsibility, rights, economic results and profits.

The Shoudu Iron and Steel Company has been able to improve its economic results continuously and by a large margin, thus becoming one of China's advanced units in the area of improving economic results. The most basic reason for this is the elimination of the practice of "eating from the same big pot" and the implementation of the economic responsibility system, making the original system of personal responsibility develop into a system of personal economic responsibility. Consequently, a widespread feeling of being the master of

own affairs has been kindled in the broad masses of workers and staff members. Their enthusiasm has been brought into full play, and there has emerged a lively situation where everyone acts as "chief of the financial affairs section." [Moreover], many measures for using funds thriftily through improved methods of acquisition, accumulation and saving have emerged. The economic responsibility system is truly the golden key for opening the door to improved economic results in enterprises.

Reliance on policy to arouse people's enthusiasm is the fundamental way to improve economic results. However, reliance on people's enthusiasm alone has its limitations. We must also rely on policy to arouse the people's enthusiasm.

Using Advanced Science and Technology Continuously

It may be said that there is unlimited potential for improving an enterprise's economic results in this regard. Science and technology are the productive forces. Acting on the three key elements of the productive forces, science and technology have developed these forces tremendously. The worker is the decisive element in the productive forces. A comparison between a worker who has mastered an advanced level of science and technology and one who has a low level of scientific knowledge shows that the effects on production are widely dissimilar. Tools and equipment are the mark of the productive forces' level. Improving and applying advanced machinery and equipment can raise labor productivity enormously. Nanjing's lead, zinc, and manganese mines undertook technological transformation of remaking backward ore-dressing equipment and spent only 180,000 yuan in the process. However, they raised their ore-dressing capability from 70,000 metric tons to 90,000. On this item alone, they increased profits by 568,000 yuan, equivalent to more than triple the money spent on technological transformation. The objects of labor are an important element of the productive forces. Applying science and technology to improve and create new objects of labor can greatly improve the productive forces. The successful breeding of "Lumian" Cotton Seed No 1 and of improved varieties of hybrid rice in agricultural production is a case in point.

In order to raise the level of management and administration and to rely on scientific and technological progress to improve economic results, as far as enterprises are concerned must be attached to:

Working Hard To Improve the Quality of Workers and Staff Members

All work in an enterprise is done by people. To a great extent, the educational, vocational, scientific, and technological levels of cadres and staff and workers determine the level of enterprise management and administration, the level of labor productivity, and the level of economic results. "There are no first-rate products without workers and staff members with first-rate knowledge"; and "competition among products is actually competition of [recruiting] qualified personnel." This kind of statement is correct.

Among the staff and workers of China's enterprises there commonly exists the phenomenon of "Three Lows and One Few," namely, low educational level, low

technological level, low managerial level, and few specialists and experts. Based on an investigation of the relevant departments, 80 percent of workers and staff members in industrial enterprises have an educational level below junior middle school; 7.8 percent are illiterate or semi-literate; 30.6 percent are at the primary school level. Technical personnel make up only 2.8 percent of all staff and workers. As for other trades, agriculture in particular, the figures are much lower.

In order to improve the quality of workers and staff members swiftly, it is utterly essential to train the entire work force of an enterprise. This requires not only the training of the masses of blue- and white-collar workers, but also the training of leading cadres and technical personnel. The latter two groups' training is even more important. This is because only by improving the quality of leading cadres can we have enterprises make correct managerial policy and turn out cadres who know their subordinates well enough to assign them jobs commensurate with their abilities, and have the enthusiasm of the broad masses of staff and workers brought into full play. Without training for technical personnel, it will be difficult for enterprises to use the new achievements in science and technology, and enterprises will lag behind. The content of the entire work force's training should include social, natural, and technological science. One or two of them cannot be overemphasized at the expense of the other or others. Naturally we must offer training courses in order of importance and urgency; give training to workers and staff members in accordance with their aptitudes; and proceed in an orderly way.

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ECONOMIC MANAGEMENT

WANG RENZHONG AT ECONOMIC SUGGESTION MEETING

SK100204 Changchun Jilin Provincial Service in Mandarin 1030 GMT 9 Aug 83

[Excerpts] Sponsored by the provincial scientific and technological association and the provincial technology, economy and management modernization research society, the second jilin provincial meeting to offer suggestions and plans for raising industrial economic results ended in Changchun today. Comrade Wang Renzhong, vice chairman of the national people's congress standing committee, who is inspecting Jilin Province, visited experts, scientific and technological workers, and other delegates present at the meeting. He gave a speech at the meeting.

Some 200 suggestions concerning energy conservation, technical transformation and turning deficits to profits were offered at the meeting. Through selection and technical appraisal, 107 [as received] suggestions were compiled and printed in pamphlets to be distributed to all relevant departments.

In a summing up speech, Governor Zhao Xiu called on all scientific and technological work so that our province's latent superiority in science and technology will become a practical superiority.

Leading comrades of the provincial CPC committee, the provincial people's congress standing committee, the provincial government and the provincial CPPCC committee, as well as responsible comrades of relevant provincial departments, committees and bureaus also attended the meeting.

CSO: 4006/760

FINANCE AND BANKING

MAJOR CHANGES IN STATE-ENTERPRISE DISTRIBUTION RELATIONS

Beijing JINGJI RIBAO in Chinese 25 Apr 83 p 1

[Editorial: "Major Changes in the Distribution Relationship Between the State and Enterprises: On the Shift From Profit Delivery to Taxation--Part 1"]

[Text] The State Council has already decided that starting this year, it will carry out the substitution of taxation for profit delivery in state enterprises on a large scale. This is a major policy decision made after several years of deliberation and preparation, and after summarizing the experience of pilot projects.

One key problem in reforming the economic management system is how to handle correctly the interest relations among the state, enterprises, and staff and workers and how to eliminate the practice of "eating from the same big pot." Since the founding of the People's Republic, we have implemented a highly centralized and unified economic system. Though the enterprise is a relatively independent economic unit, it basically has no authority in the areas of personnel, finance, and materials on the one hand and in production, supply and marketing on the other. It also bears no economic responsibility. This type of system has seriously fettered the development of the productive forces. Since the 3d Plenary Session of the 11th CPC Central Committee, the initial reform of the economic management system has been carried out in the financial system by adjusting the distribution relationship between the state and enterprises and by implementing various profit retention methods such as the system of setting the percentage of retainable profits according to base figures, the system of sharing surplus profits, the system of sharing the entire profit, the system of contracting for profit delivery quotas on a progressively increasing basis according to base figures, the system of turning over some after-tax profits to the state by fixed quotas, the system of assuming sole responsibility for losses beyond the approved limit, and the system of increasing the percentage of retainable profits by reducing losses. These methods tentatively linked the enterprises' business performance with the material interests of enterprises and their workers and staff members. They have also aroused the enthusiasm of enterprises and their staff and workers and spurred the expansion of production. Compared with the "unified revenue and unified expenditure" method of the past, these new methods undoubtedly represent distinct progress.

Yet, it must be noted that although every form of profit retention method breaks with the practice of "eating from the same big pot," the profit retention system is by no means a long-range and ideal method as far as the basic nature of distribution relationship between the state and enterprises is concerned. The practice of the past few years illustrates that owing to the immense variations in enterprises' situations, the base figures and ratios for the sharing of profits are very hard to set reasonably; and that handing over profit to the state has relatively great elasticity for there frequently occurs the phenomenon of wrangling in which localities, enterprises, and the state contend for profits. Moreover, an enterprise's economic responsibility is not sufficiently clear-cut: when profits increase, it can take more shares; when they decrease, it does not necessarily take fewer. When losses are incurred the state must make up the deficit in the end. This does not form a guaranteed stable increase in state revenue. Neither does it favor inspiring the enthusiasm and creativity of enterprises to improve management and administration. Therefore, the profit retention system can only be a transitional, temporary method. If we are to change fundamentally the distribution relationship between the state and enterprises, we will have to move in the direction of replacing profit delivery with taxation.

In implementing the tax-in-lieu-of profits system in state enterprises the distribution relationship between the state and enterprises can be defined through legislation. This can guarantee stability and increases in state revenue; and enterprises themselves can have a source of revenue stipulated by law. Thus the situation is conducive to the institution of an economic responsibility system designated to strengthen enterprises and the gradual conversion of enterprises into economic entities that truly enjoy the right to self-management and are relatively independent. Owing to the obligation to the state borne by enterprises for paying legally stipulated taxes, and for assuming "sole responsibility for their own profits or losses" enterprises will be impelled to labor arduously to improve management and administration and enhance economic results. As long as production expands and economic results improve, we may achieve simultaneous increases in state revenue and profits retained by enterprises.

The basic principle in implementing the shift from profit delivery to taxation for handling the relations of distribution between the state and enterprises is the following: out of an increase in enterprise profits, the state must get the biggest share, the enterprise a smaller, and the individual the smallest. This principle is determined by our national conditions. Ours is a big and poor country. If China is to realize the magnificent strategic objective of tripling annual gross industrial and agricultural output value by the end of this century, it must concentrate essential financial resources on completing a large number of key construction projects. Only by completing key construction projects can the entire national economy be invigorated. Only if the country's and enterprise's development have broad prospects, and the people's prosperity and happiness have a guarantee. If financial resources cannot be used in a concentrated fashion, everyone will be struggling to engage in projects of a local nature. This will pound away at the nation's unity and influence the economy's proportionate development adversely. The

result will inevitably be much input, little output, a great drain on manpower and material resources, and poor economic results. It will thus be impossible to have the [projected] rapid and vigorous economic development in the 1960's. During the War years of the past, loyal troops and guerrilla units played a positive role, but it was still the field armies that determined the war's outcome. Similarly, in carrying out the four modernizations today, the completion of the few key construction projects that influence the entire national economy, and the improvement of economic results remain the decisive factors. The concentration of essential human, material, and financial resources on carrying out key construction projects is precisely one advantage of our socialist planned economy.

However, the current straitened financial circumstances are rather unsuited to the demand for concentration of funds on carrying out key construction projects. Since the implementation of the tax-in-lieu-of-profits system can give enterprises a certain economic profit, it makes them increase their inner motive force. At the same time, owing to the legally stipulated payment of taxes, pressure from without is put on enterprises, spurring them to think of solutions to and to concentrate their efforts on the problems of improving management and administration and of enhancing economic results. Thus there will be a condition favoring guaranteed stable growth in state revenue. From a long-term standpoint, therefore, the substitution of taxation for profit delivery is wholly essential to the state's accumulation of funds and to ensure construction of key projects.

After several years of readjustment and reform of the distribution relationship, the financial resources under enterprises' direct control cannot be considered low. In light of the necessity of ensuring the funds for construction of key national projects, the upcoming few years' level of profits retained by enterprises should more or less be maintained at the current level. But we must do some appropriate adjustment of certain enterprises' unreasonable profit retention. Generally speaking, we ought to practice the principle of "no squeeze and no allowance" with regard to profit distribution after taxes. That is, we can neither use the shift from profit delivery to taxation as a pretext for "squeezing" a yuan from an enterprise, nor can we use it to "allow" an enterprise another yuan. We must reflect the spirit of rewarding diligence and punishing sloth; and we must both give enterprises a certain pressure and make them feel that they have something to strive for, as well as let them gain more benefit from tapping their latent power, improving administration, and enhancing economic results. If there is no real pressure, there will be no inner motive force. The unqualified contention that "vested interests" cannot be reduced regardless of whether or not an enterprise's ways and means of getting profits are proper is erroneous. Only through a strenuous concentrated effort to strengthen management and administration, cut down the consumption of manpower and material resources, reduce production costs, enhance economic results, and gain profits can an enterprise lastingly arouse the enthusiasm of its staff and workers. Otherwise, reliance on the method of the state's "allowing taxes" or "allowing profits"--though it may arouse their enthusiasm for a short while--in the end cannot last long.

we believe that through switching to taxation from profit delivery, we will closely integrate the interests of the state, enterprises, and workers and staff members; that we will certainly arouse the enthusiasm of all concerned; and that we will bring about a fundamental turn for the better in our national financial and economic situation.

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FINANCE AND BANKING

INCREASE PRODUCTION, REDUCE EXPENDITURE

HK150950 Chengdu Sichuan Provincial Service in Mandarin 0030 GMT 13 Aug 83

[Text] Sichuan RIBAO today carries on its front page a commentator's article entitled "Endeavor to Increase Production and Income To Cut Down on Expenditure and Insure a Balance of Revenue and Expenditure."

The article says that revenue is the foundation and premise of expenditure. To ensure a balance of revenue and expenditure, the first task is to grasp revenue. The taxes and profits of all industrial and commercial enterprises throughout the province account for some 90 percent of the total amount of the estimated revenue. To increase revenue, the basic way is to vigorously raise the economic results of the industrial and commercial enterprises. This, therefore, requires all prefectures, departments, and enterprises to firmly establish the concept of raising economic results and to correct their past practices of attaching importance to output value and speed in disregard of economic results. [Words indistinct] It is necessary to really shift the focal point of the work onto the path of regarding the raising of economic results as the center.

Moreover, it is essential to do well in revenue work, to strengthen the management of industrial and commercial taxes and the management of financial affairs and costs of enterprises, and to promptly collect all taxes and profits which should be collected. It is necessary to change the current abnormal situation in which production and sales increase but state revenue does not increase correspondingly.

In vigorously tapping new financial resources and increasing revenue in light of our province's practical situation, another important aspect is to strive to develop the economy of the counties in the mountainous areas and to ensure a balance of revenue and expenditure in these counties as quickly as possible.

Strictly controlling and cutting down on expenditure and raising results in using capital is another important aspect of guaranteeing a balance of revenue and expenditure. All prefectures, departments, and units must set great store by the overall situation, really and strictly control all items of expenditure, and cut down on all expenditures which can be cut down.

At present, it is especially imperative to strictly control the scale of capital construction. In particular, it is necessary to control the scale of capital construction outside the budget. We must resolutely stop capital construction projects outside the plans. We must advocate and foster the traditional traditions and work style of plain living and hard struggle, of building up our country and doing everything with industry and thrift. We must ensure that we spend less money but do more [than] good work. All organs, enterprises, and units must resolutely curb the phenomena of extravagance, waste, and indiscriminate issuing of bonuses, subsidies and materials. In accordance with state regulations, they must strictly control the purchasing power of social groups.

To achieve a balance of revenue and expenditure, it is necessary to strengthen the supervision of finances and to strictly enforce financial and economic discipline. In conjunction with consolidating enterprises and rectifying party work style, we must resolutely curb the phenomena of indiscriminately exacting money, indiscriminately raising costs, evading taxes, being in arrears with payment of taxes, withholding money which should be paid to the state, turning the property of the state into that of the collective, and appropriating public property by graft and bribery, which run counter to financial and economic discipline. We must support accounting work and struggle against all actions which violate financial and economic discipline. We must ensure that all revenue which should be submitted to the state is submitted to the state. We must ensure that we do not spend money which should not be spent. On the basis of increasing production and practicing economy, we must achieve the aim of increasing income and cutting down on expenditure.

OBJECT AND SCOPE

PROPER SCALE OF CAPITAL CONSTRUCTION DISCUSSED

Beijing HINGH RIBAO in Chinese 19 May 83 p 4

[Article by Liu Suinian (2692 7151 1628): "Control Capital Construction and Maintain Economic Stability"]

[Text:] Today, we are restudying Comrade Chen Yun's article entitled "The Scale of Construction Must Correspond to the Nation's Strength," which embodies important significance in preventing a new upheaval from appearing in economic construction.

At present, the economic situation in our country is very good. But certain problems still exist. A major problem is that, after several years of rational readjustment and reduction, the scale of investment in fixed assets again began to be inflated last year. This condition not only affected the financial and credit balance, but, since the second half of last year, has brought about tension in the supply of such means of production as steel, timber and cement. In accordance with the laws of the economic movement, if we do not adopt resolute measures to control the investment, then what will inevitably take place next will be the condition in which agriculture, light industry and the service sector will feel the pinch and even simple reproduction will be constructed. This will once again bring about disharmony in the proportionate relationship in the entire economy, the first of which will be the proportionate relationship among agriculture, light and heavy industry. By then, we will have to conduct a new readjustment and will be forced to reduce the scale of construction.

What can we do to control the scale of construction? In his report to the 5th Nat. Congress, Comrade Zhao Ziyang proposed five regulations for the solution of this problem. However, in view of the situation of implementation over the last several months, the results are not pronounced. The scale of construction in some localities has even been expanded. The reasons are as follows: First, the failure to unite ideological understanding. Many people do not understand the seriousness of this problem. Second, the condition itself is complex. On the one hand, the overall scale is large and on the other hand the construction projects in general, communications, science and education are smaller than they should be and must continue to be increased. In addition, the non-productive construction projects, in particular the building of residential quarters, have not been reduced, and even if they are to be cut down, it is difficult to do so. Third, there is too much money everywhere. Furthermore,

we must have a sense of discipline at present. Hence, the 1980 budget of the state is strict and clear.

In light of the present situation, to solve this problem, first, we must turn our backs on thinking of the whole party. First of all, we must make the construction of our country's strength and solve the thinking of being a "big power".

Second, results in our understanding, we must realize the need for expanding the scale of industrial and agricultural output, and we must also realize the utilization of our economy in the ninety's. If we want to do so, first, we must, as the other method than to proceed from the present realistic situation, consciously emphasize our basic work, further carry out properly the readjustment and rectification of the entire economy and the enterprises, and make the economy desirable and raise economic results. By that time, investment will be rational, and the use of funds will also become more rational. Furthermore, we must not be impatient with the improvement of livelihood. Our country has a large population and a poor foundation to start with. If every person in the city has one additional of complementary facilities, we will need an investment of several 10 billion yuan. Thus, the construction of livelihood and welfare facilities must be done step by step and we must still remember to struggle patiently. Being overanxious for quick results has made us suffer in the past. In the course of the socialist construction, we must constantly raise our vigilance in this regard. This thinking takes a "leftist" orientation and can intimidate people very easily. If we are negligent, we will lose our vigilance and be harmed by it.

Third, we must "take away the firewood from under the cauldron." We must reduce the funds from various areas. At present, the investment in the construction that exceeds the plan the most is the investment outside the budget. We must see that there is money from below. In the last 4 years, in regard to the enterprises, through the enterprise's profit retention, financial contracting, raising of the rate of depreciation and the cost of maintaining simple reproduction, the standard increase of funds each year is close to 30 billion yuan. The localities also have much more money. Under such conditions, can you prevent the money from carrying out construction? Yet, the construction that they carry out is not what the state needs. Thus, we may as well decide to collect some of this money. In this way, we not only can control the overall scale of construction, but can strengthen key construction projects in energy and metallurgy.

Fourth, the state should impose inflexible control over the capital construction loans. It is necessary to impose inflexible control over the capital construction loans. First of all, we must prohibit non-banking systems to raise funds or other credit and investment companies (with the exception of those approved by the state council). Secondly, the capital construction loans from the banking system should only be issued in accordance with the figures stipulated in the credit plan. At present, committees at various levels ask that bank loans be issued all under the prerequisite of the issued amount that is approved and the orientation of investment that is granted by the state. We can also control the use of bank loans by some departments with the stipulation that they must use them in accordance with their own funds. In this way, we can also reduce investment.

forth, the planning department must raise its level of work in formulating investment plans. It must not only abide by the long-term scale stipulated in the plan, but also be based on the financial and material capabilities, but, in arranging investment, must also take into account the establishment of a rational and accurate scale among the investments, and between the key and general projects. We must not have the situation where, because of problems in this (planning) aspect, we are forced to increase the investment midway in a project and thus exceed the general scale of the project.

Third, we must emphasize the serious nature of the plan. We must constantly strengthen the implementation of the investment plan. We must impose economic and administrative sanction on those that exceed the plan approved by the state. In particular, the capital construction projects that exceed the budgetary plan must explain the reasons for this investment and obtain approval accordingly. We absolutely will not permit any project to continue to spend money in an unrestrained manner just because it has been launched.

Following the example, article by Comrade Chen Yun, we must abide by the demand principles which he proposed to solve the existing problems in our national economic life and ensure economic stability.

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1956.10.06/1981

FINANCE AND BANKING

BRIEFS

XINJIANG FINANCIAL SITUATION--Following the raising of economic results in industrial and communications enterprises in Xinjiang Region, the region's financial situation has constantly improved. From January to July, the region fulfilled 68.7 percent of its estimated annual quota for revenue and its revenue was 16.2 percent more than in the same period last year. The profits of the industrial and communications enterprises throughout the region from January to July this year were 48 percent more than in the corresponding period last year. [Summary] [Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 12 Aug 83 HK]

YUNNAN FUND COLLECTION--Since the beginning of this year, Yunnan Province has achieved gratifying results in collecting funds for the state's energy resources, communications, and key projects. By the beginning of July, the province had registered some 14,300 units which had collected funds and the amount of funds collected was some 36 million yuan, 45 percent of the annual quota. Collecting these funds is a new work. Since the province began collecting funds in February this year, leaders at all levels of the party and government have attached importance to and supported this work and tax departments have organized forces to collect from every household funds which should be submitted to the state, in accordance with the policy. [Summary] [HK161506 Kunming Yunnan Provincial Service in Mandarin 2300 GMT 4 Aug 83]

SAVINGS DEPOSITS UP IN NINGXIA CITIES, TOWNS--By the end of March, savings deposits in our autonomous region's cities and towns had fulfilled 41.4 percent of the target for the whole year, up 14.51 million yuan from the end of last year. The number of depositors was up by more than 14,000. [Text] [Xinhuan NINGXIA RIBAO in Chinese 24 May 83 p 1] 12465

NATURAL RESOURCES

BRIEFS

SHANDONG RANKED TOP GOLD-PRODUCING PROVINCE--According to a report in "The Journal of Metallurgy," Shandong Province, which has rich gold resources and a long history of gold mining, now has developed into China's important gold-mining center. From January to April of this year, gold production there fulfilled 36.58 percent of the annual plan, thus achieving the best results in history for that period. Today, this province's gold industry ranks as China's best in gross output value, output, profit, foreign exchange earnings, and gold deposits. In 1982, the amount of gold mined by Shandong Province made up over half of that mined in the whole country. [Text] [Beijing JINMIK KIBAO in Chinese 24 May 83 p 1] 12465

(Info: 4000000)

18000183

BO YIBO VISITS JILIN CHEMICAL INDUSTRIAL COMPANY

18000183 Changchun Jilin Provincial Service in Mandarin 2200 GMT 22 Aug 83

[Excerpt] On the morning of 20 August, Bo Yibo, vice chairman of the Advisory Commission of the CPC Central Committee, inspected Jilin Chemical Industrial Company.

Twenty-six years ago, Comrade Bo Yibo paid a special visit to Jilin City to cut the ribbon for the ground breaking of the first phase of the Jilin fertilizer plant, dvestuff plant, and calcium carbide plant construction projects, which were the three biggest chemical industrial plants at that time. Since then, he visited Jilin City once to make an inspection of the work. He felt satisfied at the great progress of the plants.

At the meeting room of the organic synthesis plant, Comrade Bo Yibo, accompanied by Liu Xiang, vice chairman of the provincial advisory commission; (Li Zhenjiang), secretary of the Jilin City CPC Committee; (Jiang Zhou), advisor of the Jilin City CPC Committee; and (Wang Yingkun), mayor of Jilin City, listened to the work report of (Chen Qirui), manager of Jilin chemical industrial company. After that, he also invited (Chen Qirui) and (Yi Qingyuan), secretary of the party committee of the company, to participate in a discussion meeting at a guest house.

While listening to the work report and holding the discussion meeting, Comrade Bo Yibo instructed and encouraged the company.

In the past few years, the company reduced the costs and annually increased the profits turned over to the state by relying on enterprise consolidation and strengthening of management.

After listening to the work report, Comrade Bo Yibo urged the company to sum up good experiences to further conduct the work well so as to continue increasing both economic and production results at the same time.

He said: The industrial production must concentrate on raising the economic results. We should successfully practice this correct guiding principle. Comrade Bo Yibo showed extreme concerns for technical transformations and technological progress of the enterprises. He said that the economic results stemmed from the achievements in technical transformations and technical progress. He urged to continue summing up and publicizing the experiences in this regard.

18000183

1970 CHINESE TRADE POLICY EXAMINED

WOLCHIK, ADRI MAOYI [INTERNATIONAL TRADE] in Chinese No 5, May 83 pp 22-26

Commentary by Chen Dezhaio [7115 1795 3564] and Tan Shizhong [6151 0013 0022]:
"Opening Up to the Outside World Is the Unswerving Strategic Policy of China")

Text 1. Opening Up to the Outside World and the Socialist Modernization of China

Opening up to the outside world as far as China's socialist modernization and construction is concerned is not a dispensable policy. Not only does it influence the speed of China's socialist modernization in general, but it also has a direct connection with whether or not we can successfully complete socialist modernization and construction.

Below I will illustrate three aspects of this view.

Opening up to the outside world independently and with the initiative in our own hands is the indispensable condition for changing the backwardness of China, and for attaining and surpassing advanced world levels. In "The Communist Manifesto," Marx and Engels pointed out: "The bourgeoisie, due to its opening up of the world market, has caused the production and consumption of commodities to become international in nature." "In the past, there existed between nationality and locality the condition of self-sufficiency and shutting out international intercourse, and this has been replaced by mutual intercourse and mutual interdependence of every nationality in all areas." However, under the capitalist system, in international economic life this "mutual intercourse and mutual interdependence in all areas" replaces the process of "shutting out international intercourse," and it is also the process by which advanced capitalist nations exploit and pillage colonial, semi-colonial and backward countries. This type of exploitation and pillage for many years has caused the backward countries to become the vulnerable spot in the international economic and political development of capitalist nations. Such conditions have given rise to a situation where these backward countries first achieve victory in a socialist revolution, at the same time they produce a situation where these countries, after a victorious revolution, run into the difficulties of technological backwardness and insufficient funds during socialist construction. But from another viewpoint, precisely because the situation of shutting out foreign intercourse by each nationality has been

...the advanced nations created and consolidated their economic and technological superiority. However, reversibly conditions have been created, and will be created in a relatively short period of time, when approximately 50-60% of the world's population have already reached, and are approaching, the standard of living of the advanced nations. In the history of civilization, no other nation has been able to catch up with the advanced nations, because they were able to utilize the scientific and technological achievements of the advanced nations created and consolidated by the advanced nations. Britain was able to catch up with and replace the American nation as "the world's center." The United States was able to replace Britain before World War II, and after the war had the ability to restore their economies and levels of living to the level of the world economic powers. All these examples have a common point: the Soviet Union, while in the process of development before the war (World War II), were able to catch up with the advanced nations in a large amount of scientific and technological achievements, and in the construction of a large amount of scientific and technological achievements. More than 40 years since the founding of our People's Republic, we have made great progress in scientific and technological construction. Sometime ago, it was said at a time it is still difficult to find out. Since the founding of the People's Republic, scientific and technological achievements have been made. Today, China has put forward the policy of "learning from the advanced countries in the production of scientific and technological achievements." All countries in the world have different types of scientific and technological achievements. Different types of scientific and technological achievements have different types of scientific and technological achievements. On the one hand, we must adopt a positive attitude towards the reporting of funds and technology as an external source of funds and technology, and we must adopt a positive attitude towards the reporting of funds and technology as an external source of funds and technology. On the other hand, we must adopt a positive attitude towards the reporting of funds and technology as an external source of funds and technology, and we must adopt a positive attitude towards the reporting of funds and technology as an external source of funds and technology. In the end of this century, we need, in part, to depend on the advanced countries in the field of science and technology. This further illustrates the fact that the advanced countries in the field of science and technology are the main source of funds and technology for the developing countries.

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APPENDIX II

- 1. "The selected works of Marx and Engels," Vol. 1, pp. 254-5.
- 2. "The selected works of Lenin," Vol. 1, p. 144.
- 3. "The selected works of Lenin," Vol. 32, p. 360.
- 4. ... p. 337.
- 5. ... p. 170.
- 6. "The selected works of Stalin," Vol. 1, pp. 117-8.

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UNITED STATES DEPARTMENT OF COMMERCE

OFFICE OF THE SECRETARY, DEPARTMENT OF COMMERCE, WASHINGTON, D. C. 20540

MEMORANDUM FOR THE SECRETARY, DEPARTMENT OF COMMERCE

On April 1, 1964, the President announced his policy toward the Soviet Union in six aspects. On April 1, Li Hsue-shan, member of the State Economic Commission and news spokesman, made a statement in the Chinese Press Conference held in Beijing. In his statement, Li Hsue-shan called for the attention and comment of the Chinese people on the President's statement and said that the Chinese government would take appropriate measures to deal with the situation. In particular, today, when the world economy is in a state of recession and the Soviet Union is in a state of economic crisis, it is undoubtedly a great opportunity for the Chinese government to grant favorable terms and conditions to the Soviet Union. The personnel of the industrial and commercial departments of the Chinese government have been inspired. They hold that the Chinese government should take appropriate measures to deal with the situation and that the Chinese government should grant favorable terms and conditions to the Soviet Union. This is a great opportunity for the Chinese government to deal with the Soviet Union.

The Chinese government has been dealing with the Soviet Union since 1949. In 1949, the Chinese government and the Soviet Union signed the Sino-Soviet Treaty of Friendship, Alliance and Mutual Assistance. This treaty has been the basis of the Sino-Soviet relationship since 1949. In 1964, the Chinese government and the Soviet Union signed the Sino-Soviet Joint Declaration. This declaration has been the basis of the Sino-Soviet relationship since 1964. The Chinese government has been dealing with the Soviet Union in a friendly and cooperative manner since 1949. The Chinese government has been dealing with the Soviet Union in a friendly and cooperative manner since 1949. The Chinese government has been dealing with the Soviet Union in a friendly and cooperative manner since 1949.

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... other things, the implementation of the reform and opening up policy, the development of the socialist market economy, the improvement of the living standards of the people, the drawing support from the international community, the development of the socialist system, we will not be able to achieve our goals.

... that the socialist country must utilize foreign capital and technology to develop its economy, to attract foreign investment, to improve the living standards of the people, the drawing support from the international community, the development of the socialist system, we will not be able to achieve our goals.

... businessmen and worried about one: First, the present situation of the reform and opening up policy, the improvement of the living standards of the people, the drawing support from the international community, the development of the socialist system, we will not be able to achieve our goals.

... under the leadership of the Communist Party of China, the reform and opening up policy, the improvement of the living standards of the people, the drawing support from the international community, the development of the socialist system, we will not be able to achieve our goals.

REPORT

1. IMPORTS AND EXPORTS--According to statistics released by relevant departments, the procurement of export goods valued at 166 million yuan is of early and an increase of 12.51 percent over the corresponding period of 1982.

(1) Hohhot Non-Monetary Regional Service in Mandarin 1100 (M) 13 Aug 83

THE CHINESE RAILWAY: A VIEW ON RAILWAY CONSTRUCTION

CHEN YIN (in Chinese) (p. 83)

Minister of Railways Chen Yin: "Properly Manage and Maximize the Effect of Railway Construction"

The railway is a main artery of the national economy. It is a major transport, it accounts for more than 70 percent of the volume of freight transport and more than 60 percent of the volume of passenger transport. It is a key link in the circulation of new China, railway construction has been a priority. At present, the railway already has a "periodic" in the construction of new lines, the volume of freight transport has increased 10 times, and the volume of passenger transport has increased 11 times, respectively, over initial period. Through the efforts exerted in railway construction, the railway network has been gradually formed. This has played an important role in the economic construction, strengthening our national defense, and promoting the material and cultural levels.

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1. The first part of the document discusses the importance of maintaining accurate records of all transactions and the role of the accounting department in ensuring the integrity of the financial statements. It also highlights the need for regular audits and the importance of transparency in financial reporting.

2. The second part of the document focuses on the implementation of internal controls to prevent fraud and ensure the accuracy of financial data. It outlines the key components of a robust internal control system, including segregation of duties, authorization procedures, and regular monitoring and evaluation.

3. The third part of the document addresses the challenges faced by organizations in managing their financial resources effectively. It discusses the importance of budgeting, forecasting, and financial analysis in making informed decisions and optimizing resource allocation.

4. The fourth part of the document provides a detailed overview of the accounting cycle, from the initial recording of transactions to the final preparation of financial statements. It includes a step-by-step guide to each stage of the cycle, ensuring that all necessary steps are followed to produce accurate and reliable financial information.

5. The fifth part of the document explores the role of technology in modern accounting practices. It discusses the benefits of using accounting software and the importance of staying up-to-date with the latest technological advancements in the field.

6. The sixth part of the document discusses the ethical considerations that accountants must be aware of in their professional practice. It emphasizes the importance of integrity, honesty, and adherence to professional standards in all financial reporting and transactions.

7. The seventh part of the document provides a summary of the key points discussed throughout the document and offers recommendations for further reading and research on accounting topics.

THE UNITED STATES OF AMERICA
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1. The first part of the paper is devoted to a general discussion of the problem of the existence of solutions of the system of equations (1) for arbitrary values of the parameters α and β . It is shown that the system of equations (1) has solutions for arbitrary values of the parameters α and β if and only if the condition $\alpha + \beta = 1$ is satisfied. In this case the solutions of the system of equations (1) are given by the formulas

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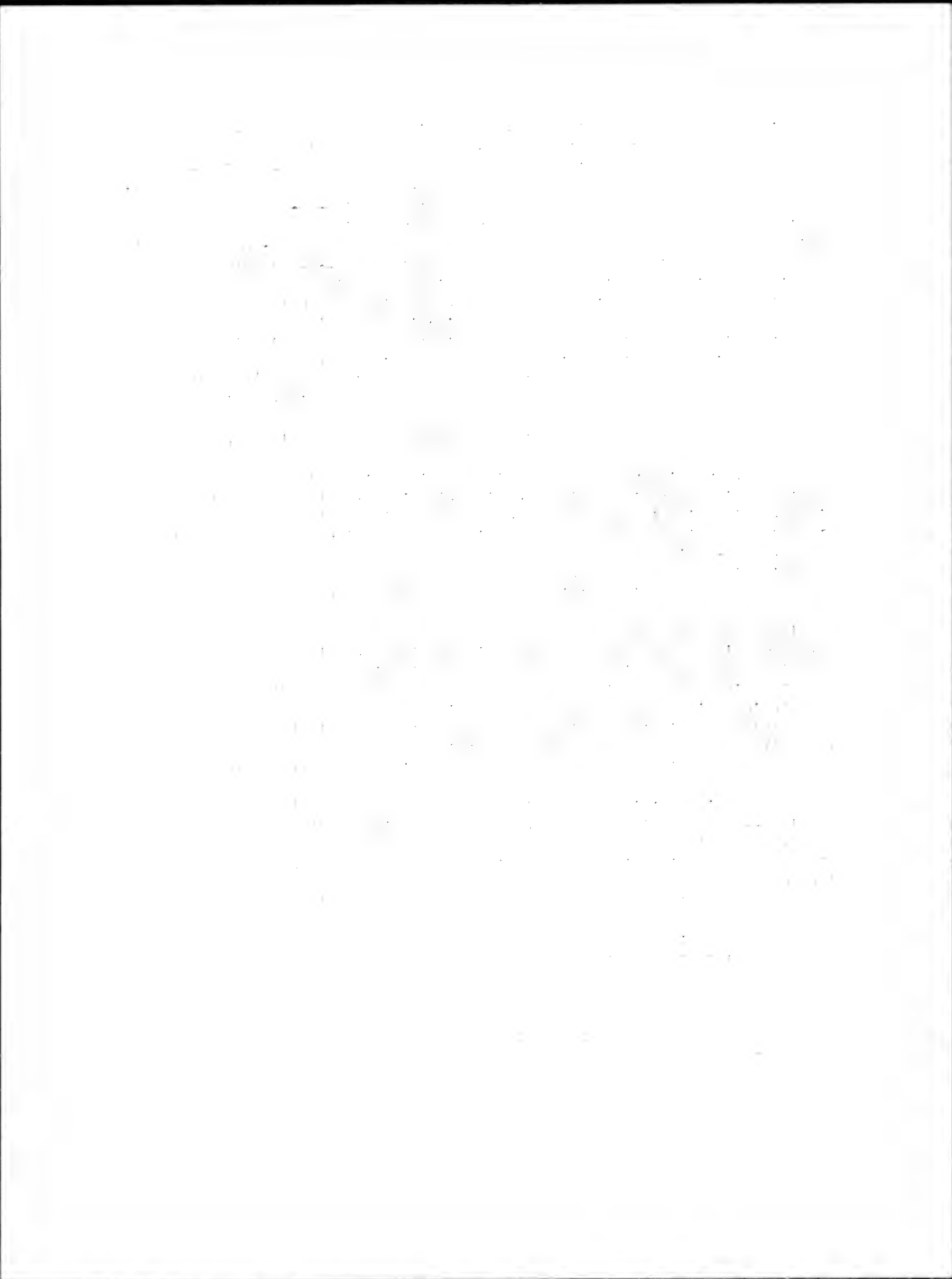
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1. The first part of the report deals with the general situation of the country and the progress of the work during the year. It is divided into two main sections: the first section deals with the general situation of the country and the progress of the work during the year, and the second section deals with the specific results of the work.

2. The second part of the report deals with the specific results of the work. It is divided into three main sections: the first section deals with the results of the work in the field of agriculture, the second section deals with the results of the work in the field of industry, and the third section deals with the results of the work in the field of commerce.

3. The third part of the report deals with the financial results of the work. It is divided into two main sections: the first section deals with the income of the organization, and the second section deals with the expenditure of the organization. The first section is further divided into three sub-sections: the first sub-section deals with the income from the sale of goods, the second sub-section deals with the income from the sale of services, and the third sub-section deals with the income from other sources. The second section is further divided into three sub-sections: the first sub-section deals with the expenditure on the purchase of goods, the second sub-section deals with the expenditure on the purchase of services, and the third sub-section deals with the expenditure on other items.

4. The fourth part of the report deals with the conclusions of the work. It is divided into two main sections: the first section deals with the conclusions of the work in the field of agriculture, and the second section deals with the conclusions of the work in the field of industry and commerce.



construction. For instance, in the 10 years from 1972 to 1981 Ningxia used 3.5 times the amount of total expenditures for the development of agriculture than they used for capital construction in agriculture, and for the same period they used 20 percent more for the development of agriculture than they used for the capital construction of heavy industry (including fixed capital investment and floating capital investment). In short, Ningxia's investments in agriculture are by no means small.

In the past, the reason agricultural production in the Ningxia Autonomous Region has developed so slowly, aside from the influence of rural policies, the climate and other factors, is mainly that the results of investments have not been favorable. Thus we must be careful to competently manage and utilize investments, and we must bring into play the beneficial results of investment.

Second, based on the special characteristics of Ningxia's natural resources, heavy industry should be the key to its industrial construction. Like other provinces, cities and regions, Ningxia uses coal as a raw material for chemical industries, as in the development of its coal, electric and gas industries. Consumption is high, but there are raw materials for nonferrous metallurgical industries, cement construction and other heavy industries, and they all possess a clear superiority. Yet we need more funds to develop these industries. In fact this demonstrates that what we are doing is correct. But we also cannot let up in the development of light industry. Some light industries are restricted by natural resources and agricultural raw materials; however, food products, refined sugar, paper production, leather, wool spinning and other businesses possess great potential and still have prospects for development. In the future we must appropriately increase investments and induce the production of light industries to develop quickly. However, overall, the future situation will continue to be one in which heavy industry is the key to the construction of Ningxia's industry. This is based on the special characteristics of the natural resources of Ningxia's industry, and based on an arrangement shaped by over 30 years of industrial construction.

Third, the relationships between agriculture, light industry and heavy industry are different for every province, city and region. For the entire country, the production and consumption of agriculture, light industry and heavy industry must be balanced and have coordinated development. A complete production system for the national economy must be formed, otherwise there will be disproportions. The situation is different for each province, city and region. Different areas can determine different priorities for construction in order to fully bring into play each of their strong points on the basis of achieving an overall balance for the entire country and on the basis of the demands of strategic policies and national plan. Only then can we promote our strong points and minimize our weak points and give full play to our superiority, and only then can the entire country receive the best overall economic results.

Individual Consumption and Group Consumption

Another problem concerning proportional relationships is what portion of the national income should be used for consumption. This is first evident in the proportional relationship between local consumption and group consumption.

In the last few years the funds for group consumption have increased rapidly. Total group consumption increased 10-fold from 1957 to 1980, but local consumption only increased 4-fold. Group consumption has risen too quickly and will certainly press local consumption and effect the withdrawal of cash reserves from circulation. We must strictly control this and cause the proportion of group consumption to decrease.

Irrigated Regions and River Regions

In Ningxia's Yinhuang Irrigation Region, the conditions for production are fairly good. There are superior irrigation works for the development of agriculture, abundant natural resources and good transport facilities for the development of industry. The basic proportion of investment in the irrigation regions is relatively large so that we can achieve good results in a relatively short time, and so we can try hard to develop the mountainous area and establish a material base. It is necessary to do this. But as we now look at the situation from the beginning for the purpose of comparison, investment for capital construction in the mountainous regions has been too small. Of the total investments for capital construction from 1958 to 1981, the irrigation regions received 69.9 percent and the mountainous regions only 7.6 percent, and other areas (mainly oil, transmission lines and railroads, which are largely in the river regions) received 22.5 percent. For the past few years production has not been stable in the mountainous regions due to the effects of numerous natural disasters. After 1956, excluding 1967, 1974 and 1978, for 23 years the total output of grain did not reach the 1956 level. The average level of grain output for farmers was 993 jin in 1956, and today this is still the record. There is a basic discrepancy in the industry of the mountainous regions. Although the gross output value tripled from 1958 to 1981, each person still produces only 33 yuan, which is 10 percent of the average level for the entire region. The gap between the irrigated regions and mountainous regions is growing even larger. In recent years the party and government adopted many measures and received definite results, but the income of the peasants of the mountainous regions is still low, and their lives are still poverty-stricken. 42.6 percent of the total population of Ningxia and 62.3 percent of the Hui minority people live in the mountainous regions, and the great portion of them live on farms. Thus we must develop the economy of the mountainous region, quickly improve the people's livelihood, and we must regard this as a matter of prime importance. Moreover we must appropriately increase the basic funds for construction of the mountainous regions.

12437

CSO: 4006/714

CHINA TO USE MORE CONTRACT WORKERS IN ENTERPRISES

HK101118 Hong Kong HSIN WAN PAO in Chinese 10 Aug 83 p 4

["Special Dispatch" from Beijing: "China Will Use More Contract Workers and Reduce the Number of Permanent Staff and Workers"]

[Text] Beijing, 10 Aug--China is now carrying out a reform of the system of using workers in some enterprises in charge of construction. According to informed sources, the central task of this reform is to reduce the number of permanent staff and workers and to practice the system of contract workers.

The swelling capital construction ranks and the excessive number of permanent staff and workers have always been a major reason for the low efficiency in China's capital construction. The adoption of the system of contract workers is conducive to streamlining the state capital construction ranks and raising labor efficiency.

A written report by the Yantai Prefectural Construction Company in Shandong Province, which is about the use of contract workers, is now being circulated among the people in the capital construction circles. This report holds that when the system of contract workers is adopted, the enterprises are able to increase or reduce the number of workers according to the needs of different tasks and that the contract workers, who are more willing to obey orders and bear hardships and who usually have a higher rate of work attendance, are better than the permanent workers. The use of contract workers will help the enterprises raise their labor productivity.

It is said that the regulations concerning contract workers are being drafted. Some positions in the draft, which is under discussion now, hold that the wages for the contract workers can be higher than those for the permanent workers at the same grade, that the enterprises must treat the contract workers equally without discrimination, and that the contract workers must be given proper labor protection and labor insurance.

CSO: 4006/761

SHENZHEN STUDYING FEASIBILITY OF BUILDING AIRPORT

HK110108 Hong Kong SOUTH CHINA MORNING POST in English 11 Aug 83 Business News p 1

[Article by Olivia Sin]

[Excerpt] Shenzhen authorities are studying the feasibility of building an international airport on a site northwest of Shekou, according to the deputy mayor of Shenzhen, Mr Luo Changren.

A site at Gushu, near Qianhai, has been chosen for the study.

The proposed airport, he said, could relieve some of the pressure building up at Kai Tak airport.

He stressed, however, that no decision has been made on the proposed site as China is undecided over spending the hundreds of millions of dollars the airport would cost.

In a recent interview, Mr Luo said officials are still studying the financial implications, the technical requirements and the demand for an international airport in Shenzhen.

He said waters surrounding the proposed site are relatively shallow and reclamation work would be easy.

The proposed site will be incorporated into a master development plan which will be ready by the end of the year, he said.

CSO: 4020/111

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Sept. 13, 1993